

# 2016 Africa Capital Markets Watch



**20**

IPOs in 2016

110 IPOs between 2012 and 2016

**\$1.5bn**

IPO proceeds raised in 2016

\$6.5bn proceeds raised between 2012 and 2016

**\$7.3bn**

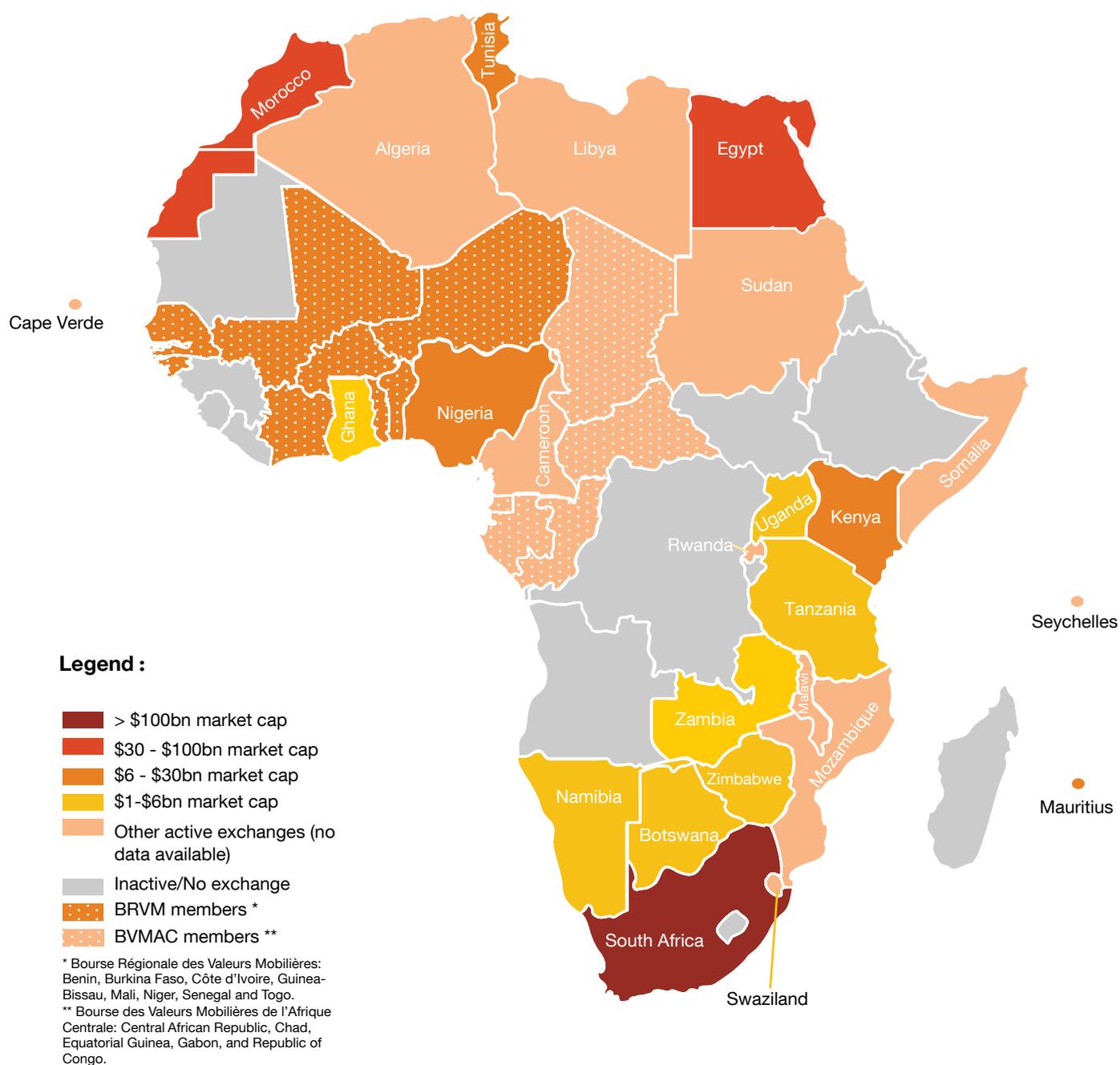
FO proceeds raised in 2016

\$38.4bn proceeds raised between 2012 and 2016



February 2017

# Overview of African stock exchanges at 31 December 2016



Sources: World Federation of Exchanges, Thomson Reuters

## About 2016 Africa Capital Markets Watch

This report explores new primary market equity initial public offerings (IPOs) and further offers (FOs) by listed companies, in which capital was raised on Africa's principal stock markets and market segments (including exchanges in Algeria, Botswana, Cameroon, Cape Verde, Côte d'Ivoire, Egypt, Libya, Gabon, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Morocco, Rwanda, Seychelles, Somalia, South Africa, Sudan, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe). This report does not include analysis of convertible transactions, i.e. debt and preferred shares offerings which are convertible into common shares.

The report also covers the IPO, FO, and high-yield (HY) and investment grade (IG) Eurobond debt activities of African companies<sup>1</sup> on international exchanges or non-African companies on African exchanges, on an annual basis. Movements between markets on the same exchange are excluded.

This report covers activity up to 31 December 2016 and captures deals based on their pricing date.

All market data was sourced from Dealogic, Bloomberg, The World Federation of Exchanges, Thomson Reuters and the stock markets themselves, unless otherwise stated, and has not been independently verified by PwC.

<sup>1</sup>Companies incorporated in Africa or with primarily African operations or an African parent.

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# Foreword

*Welcome to PwC's 2016 Africa Capital Markets Watch, our third annual publication examining African equity and debt capital market transactions.*

Equity capital market (ECM) transactions included in our report comprise capital raising activities, whether IPOs or FOs, by African companies on exchanges worldwide and those made by non-African companies on African exchanges.

Debt capital market (DCM) transactions analysed this year include debt funding raised by African companies and public institutions, whether HY or IG.

Between 2012 and 2016, African ECM activity comprised 110 IPOs and 340 FOs; 2015 accounted for the largest number of IPOs and FOs in the period, with 30 and 93 respectively.

As was anticipated for a year that experienced economic uncertainty and political upheaval around the globe, 2016 marked a decline in the number of African ECM transactions from the previous two years.

In respect of DCM activity during the same period, overall proceeds increased slightly in 2016 from the prior year, although this overall increase was driven by expanded borrowing by supranational development banks. DCM activity by sovereigns and corporates shrank this year, and issuances were targeted more towards refinancing or repayment of existing obligations.

Despite relatively low capitalisation in the global context, some of Africa's exchanges, such as the BRVM, made strides during the year in building a presence in various global indices used by investors and portfolio managers, such as the Russell Frontier Index,

MSCI Emerging Frontier Markets Africa (excluding South Africa) Index, S&P Africa Frontier Indices and FTSE ASEA Pan Africa Index.

Inclusion in such indices has provided a reference point for foreign portfolio investment on the continent, thereby increasing liquidity through secondary channels.

In terms of what lies ahead, PwC's recently-issued 20th Annual Global CEO Survey revealed that African CEOs see organic growth, strategic alliances or joint ventures, and cost reduction as key to growth and profitability over the next 12 months.

However, 2017 looks to be beset by continued challenging macroeconomic prospects; the World Bank projects growth in sub-Saharan Africa (SSA) as a whole of only 2.9%. While there has been some recent stabilisation in commodities prices, they remain persistently weak, with knock-on negative effects reaching numerous sectors within resource-driven economies.

Foreign-exchange volatility, which featured significantly in the African story in 2016 as well, remains front of mind, as 90% of African CEOs have expressed some degree of concern about the threat of currency movements to their organisation's growth prospects in the coming year.

While some stability has recently been observed in exchange rate movements for currencies such as the South African rand, the outlook for some other major African currencies, such as the Nigerian naira remains uncertain.

In terms of capital markets activity, we expect to see improved conditions in 2017, continuing the momentum built in the final two months of 2016, including an increase in ECM activity. This is expected to be driven in part by privatisation plans through the capital markets in territories including Nigeria, Morocco, Egypt, Tanzania and the BRVM region.

We also note the inherent capital markets growth potential that exists on the continent, which according to a recent report<sup>2</sup>, is home to approximately 700 companies with annual revenues in excess of \$500 million, only 40% of which maintain a listing. Entry by these participants over the coming years will contribute to furthering depth and breadth of the African capital markets landscape.

With increased scrutiny from regulators looking to enhance the appeal of local markets by protecting yield-seeking investors, achieving a successful offering is an increasingly complex and time-consuming process. In our experience, companies that are adequately prepared and invest in starting the process early with the help of independent capital markets advice, are best equipped for an efficient and effective capital-raising effort.

We hope you find our third report on African capital markets a useful and thought-provoking summary.

<sup>2</sup>McKinsey Global Institute Report, "Lions on the Move II: Realising the Potential of Africa's Economy" 2016.

# 2016 trends in African capital markets

## Relatively larger economies contribute to regional economic slowdown

The continent's overall growth performance was negatively impacted in 2016 by a sharp slowdown in larger economies such as Nigeria and Egypt and lacklustre GDP growth in South Africa.

Nigeria's challenges in 2016 developed primarily as a result of persistently low commodity prices and, for most of the year, uncertainty reigned regarding transactions or investment in foreign currency due to the disconnect between the official and parallel rates for the naira. This disconnect was briefly alleviated by the Central Bank of Nigeria's (CBN) June 2016 move to a managed float of the naira, though this also brought about rapid currency devaluation, and did not ultimately address differences between official and unofficial rates.

South Africa, managing its own internal political discord, avoided both recession and credit downgrades in 2016, while the rand regained ground and relative stability towards the end of the year. However, rising debt levels and continued low private sector confidence still loom and create pessimism for local investment, with many large South African corporates seeking to raise funds to diversify their investments offshore.

Elsewhere on the continent, other major oil exporters such as Angola and relatively smaller, but oil-dependent countries such as those in the Central African Economic and Monetary Community (CEMAC) region, continue to be vulnerable to depressed oil prices, leading to extended currency weakness and a dimmer outlook for these economies.

East Africa remains a brighter spot in terms of growth, with a number of countries in the region, such as Ethiopia, Kenya and Tanzania still posting healthy GDP growth figures of 5.5% or greater<sup>3</sup>, and other oil-importing countries remain resilient. Côte d'Ivoire, for instance, is forecast<sup>3</sup> to be the fastest-growing economy in SSA in 2017, with GDP growth expected to top 8%.

Nevertheless, macroeconomic forces in the top three economies, which comprise over half of Africa's GDP, the lack of diversification and agility of many African economies and volatility in global markets dampened the enthusiasm for capital markets transactions in 2016.

## Decline in new equity capital raised

In line with global capital markets, and reflecting local economic sentiment, new activity on Africa's equity capital markets slowed in 2016, with a decline in the total number of ECM transactions of 28% and a decline in the value of proceeds raised of 33% in US dollar terms.

While we noted a deceleration of companies coming to market beginning in the second half of 2015, and continuing into the first half of 2016, this trend shows some signs of abating, with strong IPO activity in Q4 of 2016 accounting for more than 50% of 2016 total IPOs by value. Between this data and recent announcements of intention, we expect healthier capital markets activity in 2017 with some significant IPOs and FOs already in the pipeline.

## Active and growing local bond markets

Given the relatively low level of activity in the Eurobond market by African issuers, particularly due to weakening local currencies against major global currencies (specifically the US dollar), 2016 saw several corporates seeking to access local bond markets to refinance increasingly unaffordable foreign currency debt, as well as increased sovereign activity on domestic markets.

The Nigerian local bond market, FMDQ, in particular, recorded the highest issuance of domestic corporate bonds by naira value in five years, including the June 2016 issuance of Lafarge's NGN60 billion bond.

The Nigerian market has also seen several commercial paper issuances, including from Guinness Nigeria, Access Bank, FSDH Merchant Bank and local property developer UPDC, providing local investment opportunities for growing private pension funds and local fund managers.

Given the increasing liquidity on local exchanges, growing demand for local investment options and more sophisticated regulation, there remains significant room for growth and expansion in Africa's domestic bond markets.

<sup>3</sup> IMF and World Bank

## **Government intervention and privatisations of government assets aim to facilitate greater depth of local capital markets**

During 2016, regulatory action and government mandates compelled companies in specific sectors to list on local stock exchanges in an attempt to deepen local markets and provide greater access to local investors.

In Tanzania, for example, Parliament approved the Finance Bill 2016, which required electronic and communication companies registered in the country to list their shares on the Dar es Salaam Stock Exchange from July 2016. In Nigeria, as part of an agreement reached with the Federal Communications Commission, MTN agreed to list its Nigerian business on the Nigerian Stock Exchange in due course.

In terms of impact on 2016 ECM figures, many of these listings have been introductory in nature or have not completed, and we anticipate further development from these listings in 2017.

What was apparent in 2016 data, however, was the impact of partial privatisation of state-owned assets through the capital markets via fairly sizeable transactions on domestic exchanges in Morocco, Ghana and Botswana.

There are expectations that this will continue into 2017, with the potential listing of government shares in Ivorian and Rwandan banks on local exchanges and an expectation of the privatisation of the Nigerian National Petroleum Corporation (NNPC) after its restructuring is complete.

## **Increased participation through innovative products and alternative markets**

In addition to a continued focus on greater depth of trading, several structured finance products have been introduced on African exchanges to help broaden their offerings, and in some territories, alternative markets have been established with a longer-term goal of attracting small and medium-sized enterprises.

In December 2016, the African Development Bank launched the African Domestic Bond Fund, structured as an exchange-traded fund (ETF) with the objective of increasing access to African domestic bond markets. The ETF will be listed in Mauritius and is expected to be listed on other exchanges in time.

Similarly, Nigerian asset manager, Vetiva, listed its first bond ETF in Nigeria, the Vetiva S&P Nigerian Sovereign Bond ETF, giving investors access to Nigerian federal government bonds in units affordable to a retail investor, an example of innovation being used to attract investment.

This year, several exchanges have introduced junior or alternative boards targeting small- and medium-sized enterprises. The Johannesburg Stock Exchange's (JSE) alternative exchange (AltX) marked a significant increase in listing value this year, fuelled by a large dual listing of a private equity firm.

Meanwhile the Nigerian Alternative Securities Market (ASeM) was home to Nigeria's only listing of the year—the introduction of waste management firm, The Initiates plc.

Developments in 2016 and since the year end also paved the way for two new exchanges in South Africa to begin trading in 2017, with the licensure of ZAR X and 4AX by the South African Financial Stability Board (FSB).



# Trends in global equity markets, 2007-2016

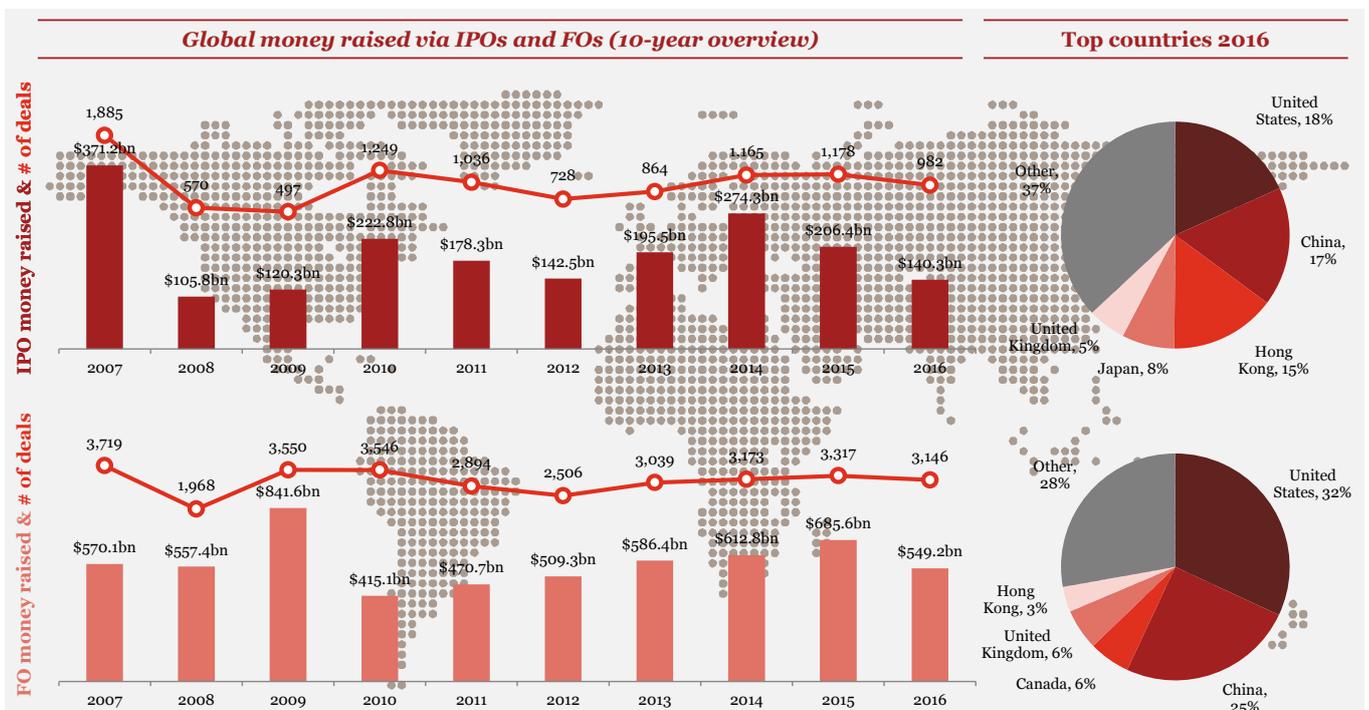
Globally, the impact of Brexit, the US election, the shift in China's economic fortunes and mounting geopolitical tensions in the Middle East created volatility in global equity markets.

The global equity capital markets experienced the slowest start to the year in over a decade in 2016 as the World Federation of Exchanges reported that value traded in secondary equity markets dropped by 24% in the first half of 2016.

Despite uncertainties and volatility, the number of IPOs and FOs globally in 2016 remained fairly stable as compared to 2015, although the total value of proceeds raised decreased by 23%.

Results in Africa mirrored this trend, hitting three-year lows in terms of ECM activity, and markets across the continent saw continued outflows as investors shifted capital to more advanced economies in search of a lower risk profile.

Figure 1: Global money raised via IPOs and FOs, 2007-2016



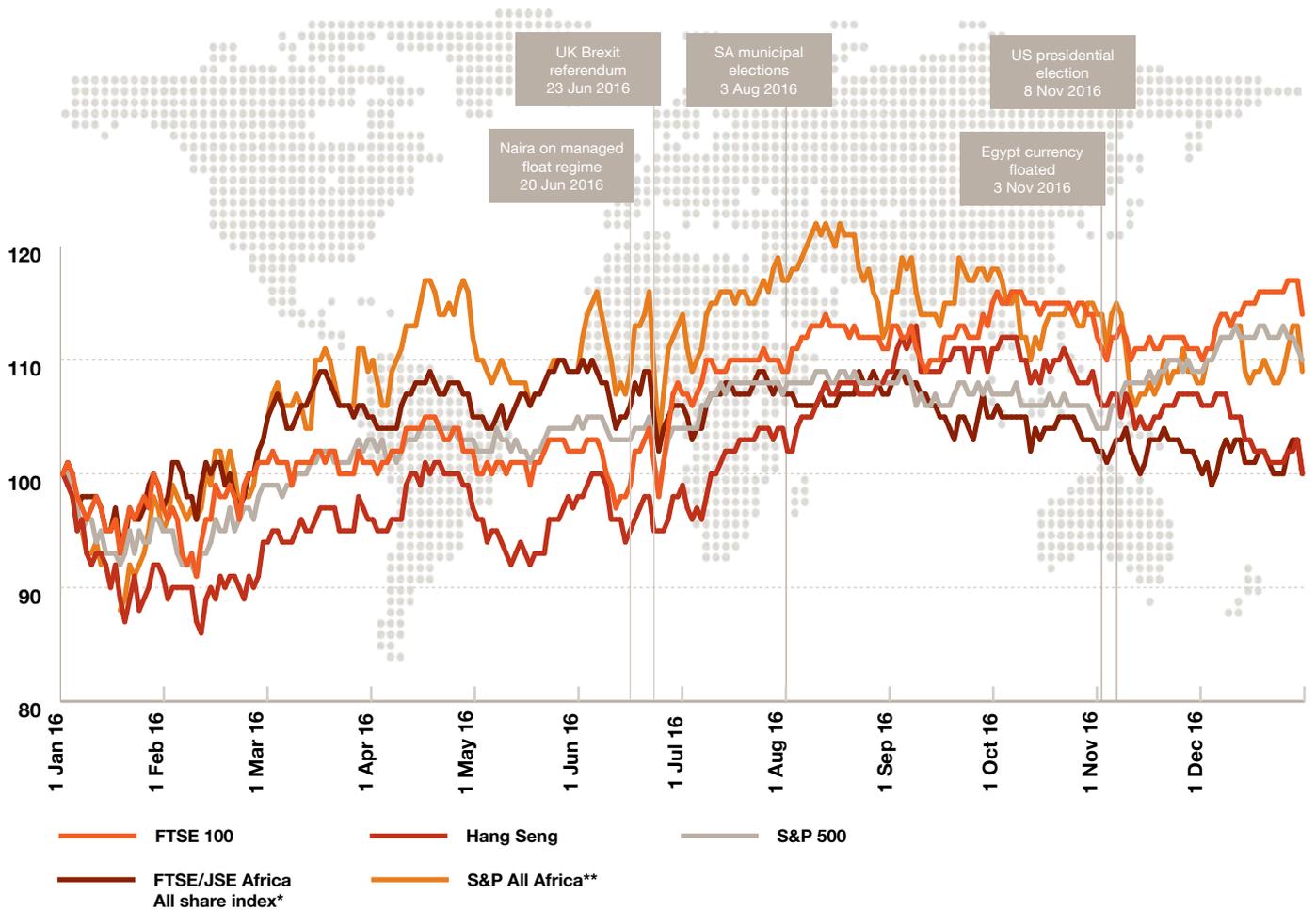
Source: Dealogic, PwC's Q4 2016 Equity Capital Markets Briefing

## Global Indices, 2016

Indices in figure 2 show greater volatility in performance of the FTSE 100, S&P 500 and the Hang Seng relative to the FTSE/JSE Africa All Share Index\*; a clear indication of the severity of global events on developed markets this past year. Volatility noted in the S&P All Africa Index\*\*, a US

dollar-based metric, displays the sensitivity of the index to movements of the South African rand against the dollar, given the significance of the JSE on the index weighting. The JSE closed 3% up in rand terms and 16% up in US dollar terms in 2016.

Figure 2: Global indices, 2016



\* The FTSE/JSE Africa All Share Index is a market capitalisation-weighted index and calculated in South African rand. Companies included in this index comprise the top 99% of the total pre free-float market capitalisation of all listed companies on the JSE.

\*\* The S&P All Africa Index is designed to serve as a comprehensive benchmark for the African market, covering companies listed on exchanges in 13 countries – Botswana, Côte d'Ivoire, Egypt, Ghana, Kenya, Mauritius, Morocco, Namibia, Nigeria, South Africa, Tunisia, Zambia and Zimbabwe – as well as companies listed in developed markets that derive the majority of their revenue from the African continent. The index is weighted by float-adjusted market capitalisation and reflects US dollar values.

Source: Thomson Reuters

# African equity markets

In line with the ECM results noted in the second half of 2015, 2016 was a challenging year for African equity markets, primarily due to lower growth or recession in larger economies and new global political uncertainties introduced by the US elections cycle and the Brexit vote.

In addition, South Africa began 2016 with the news of a few large managed divestitures of local listed companies by foreign parents, shaking an investor confidence already bruised from political fallout in late 2015.

This past year, ECM activity broke its streak of three successive years of growth, recording a decline in overall ECM activity of 28% from 2015 in the number of transactions and 33% from 2015 in terms of capital raised.

Many economies, particularly those dependent on resources suffered in a low growth environment, with Nigeria even entering recession in 2016, significantly reducing ECM activity, and a continued lack of clarity around foreign exchange risk in Nigeria further discouraged foreign investment.

However, the story of 2016 is one of two halves. When analysing 2016 activity by quarter, data indicates a rebound in market sentiment in the second half of the year, which comprised 80% of 2016 IPO capital raised; 53% was raised in the last quarter alone.

African ECM activity in 2016 continued to be dominated by the financials sector (including closed-end funds and real estate), although this sector's share of the total was amplified by the \$905.9 million rights issue by Barclays Africa in May 2016, which accounted for 10% of all ECM proceeds during the year.

Businesses in non-commodity sectors tied to the growth story of African economies, such as energy, infrastructure, agriculture and consumer goods continued to form a more significant component of African ECM activity. Two of the top 10 IPOs

this year were by consumer goods companies; Dis-Chem, the South African pharmacy chain and Arabian Food Industries Company Domty ('Domty'), a leading Egyptian cheese and juice concern.

Due to the potential individual significance of transactions to a year's ECM results, we continue to analyse trends both on an annual basis and over a five-year period as an indication of longer-term trends:

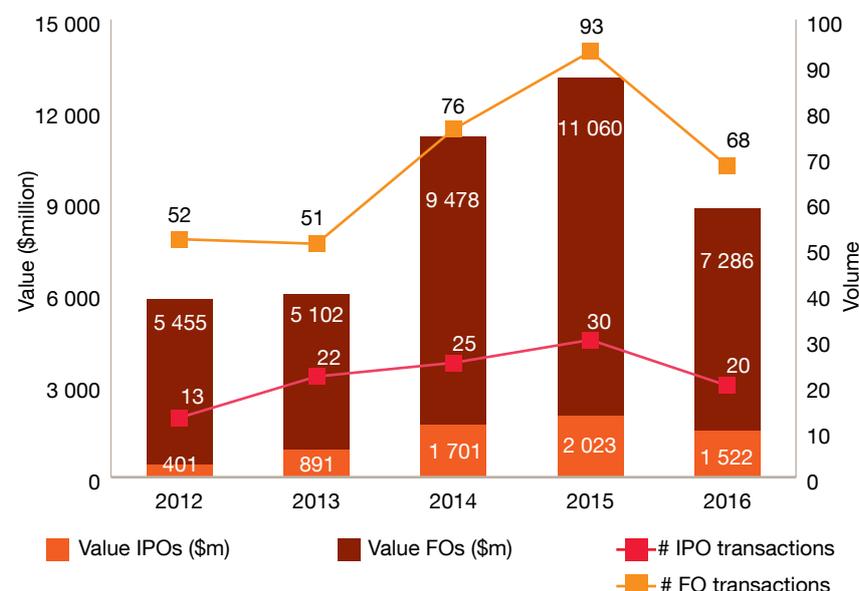
- Since 2012, there have been 450 African ECM transactions raising a total of \$44.9bn, up 8% in terms of capital raised over the previous five-year period 2011-2015.

- Although overall ECM activity decreased in 2016 in terms of both transaction volume and value as compared to 2015, there was a significant increase in ECM activity, particularly IPOs, in the second half of the year, indicating the cautious optimism of issuers and investors as the year progressed.

- Our analysis is based on figures denominated in US dollars. The decrease in activity noted above (and pictured in figure 3) reflects the decreasing US-dollar value of proceeds raised in currencies such as the Egyptian pound and Nigerian naira.

**Note:** Data presented in our 2016 Africa Capital Markets Watch report has been adjusted for two additional 2015 IPOs (Bank of Africa-Mali SA of \$14m and AFMA SA of \$18m), and two additional 2015 FOs (Banque Centrale Populaire of \$170m and Investec Property Fund Ltd of \$178m), which were added to the Dealogic dataset subsequent to our 2015 publication.

**Figure 3: ECM activity, 2012 – 2016**



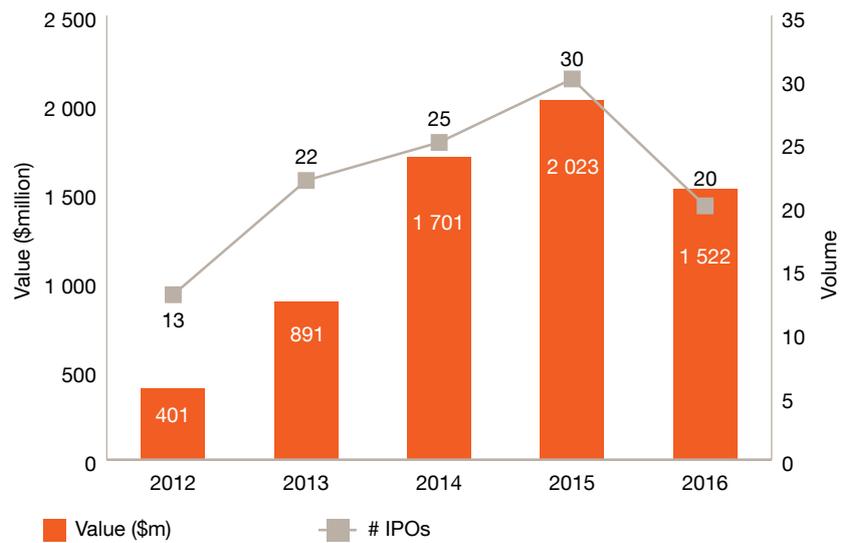
Source: Dealogic

# African IPO Market

## African IPO trends

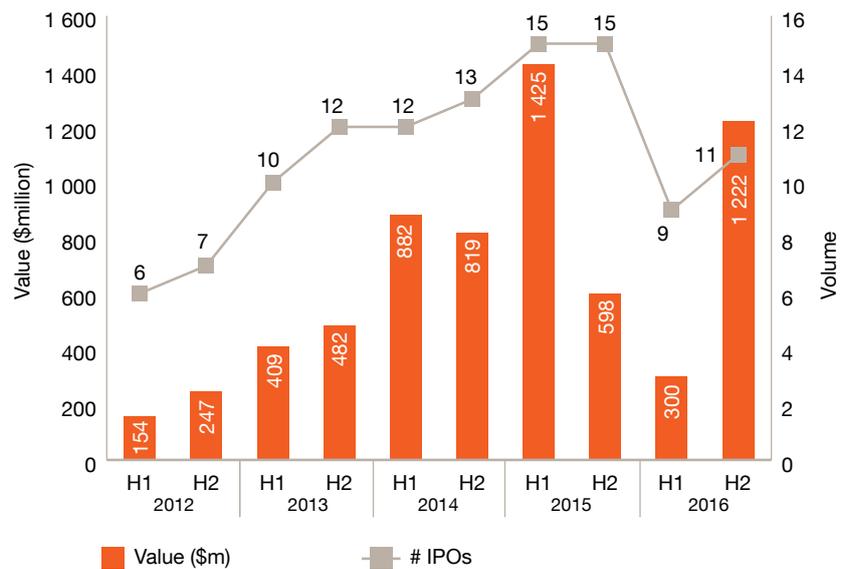
- Over the past five years, there have been 110 IPOs by African companies on both African and international exchanges, raising \$6.5 billion, a 7% increase in capital raised over the preceding five-year period.
- 2016 saw the lowest volume in IPO activity since 2013, although there has been an overall upward trend over the five year period.
- During 2016, eight of the top 10 IPOs by proceeds were launched on domestic exchanges in North Africa or on the JSE, demonstrating the resilience of more mature markets in a difficult economic climate.
- For the first time since 2013, none of the top 10 IPOs had a primary or dual listing component outside of Africa, reflective of the declining risk appetite of global investors for African exposure over the past year.

Figure 4: IPO trends by year, 2012-2016



Source: Dealogic

Figure 5: IPOs trends by half year, 2012-2016



Source: Dealogic

## African IPO data by exchange

In 2016, capital raised from IPOs by companies on the JSE in US dollar terms increased by 25% as compared to 2015, a statistic driven both by the comparatively stronger rand and three large listings by Dis-Chem, the Liberty Two Degrees real estate investment trust (REIT) and one of South Africa's largest private equity firms, Ethos.

This year was also a record year for the JSE's AltX, which saw the secondary listing of the fledgling Mauritian private equity investor, Universal Partners, contribute to an AltX listings value of more than six times that of the prior year.

Capital raised from IPOs by companies on other African exchanges decreased in US dollar terms by 22% as compared to 2015, largely driven by relatively smaller Egyptian IPOs in 2016. IPO activity on the Egyptian Stock Exchange (EGX) dramatically decreased—by 72% in terms of value of IPO proceeds—as companies delayed listing plans in anticipation of better times to come, following the August 2016 announcement of a potential stabilisation programme by the IMF and the free float of the Egyptian pound in November 2016.

In contrast, elsewhere on the continent, 2016 saw some significant increases in IPO capital raised on exchanges in Ghana, Morocco and Botswana compared to 2015. This increased activity was largely driven by partial privatisations of state-owned entities, such as Ghana's Agricultural Development Bank, Morocco's port operator Marsa Maroc, and the Botswana Telecommunications Corporation, which collectively raised \$313 million this year.

Regional distribution of 2016 IPO volume and value remained roughly in line with the overall five-year trend, with 70% of the total volume of transactions and 74% of total value raised on exchanges in SSA, with the remainder made up by North African exchanges. Over the five-year period as a whole, these figures for volume and value were 62% and 65% for the SSA region, respectively.

The JSE continues its dominant role in African capital markets activity. Since 2012, capital raised from IPOs by companies on the JSE of \$2.7 billion represents 42% of the total African IPO capital and 34% of the total number of transactions with 37 IPOs.

Over the five-year period, the JSE was followed in terms of volume of IPO transactions by the Bourse de Tunis with 23 issuances, and the EGX with 9 issuances.

In terms of value over the past five years, the next-largest value of IPO proceeds raised was on the EGX at \$1.1 billion, followed by the Nigerian Stock Exchange at \$751 million, the bulk of which relates to the 2014 Seplat dual listing in London and Lagos.

On average during this period, money raised per IPO was \$59.4 million, with a relatively higher average of \$74.1 million for listings on the JSE and \$50.8 million for those on other African exchanges. In 2016, these averages were noticeably higher, with average proceeds of \$117.6 million for JSE listings and \$76.1 million overall.



Figure 6: IPOs by African exchange, 2012-2016\*

Exchange country	2012		2013		2014		2015		2016		Total	
	Number of IPOs	Capital raised (\$m)										
<b>South Africa</b>	5	258	4	261	9	742	12	658	7	823	37	2 742
Johannesburg	3	247	4	261	8	734	9	640	4	706	28	2 588
Johannesburg AltX	2	11	0	0	1	8	3	18	3	117	9	154
<b>North Africa</b>												
Egypt	0	0	0	0	1	109	4	752	4	214	9	1 075
Morocco	1	3	1	122	1	127	2	91	1	195	6	538
Tunisia	2	8	12	191	6	125	2	43	1	21	23	388
Algeria	0	0	0	0	0	0	0	0	1	58	1	58
<b>Sub-Saharan Africa excluding South Africa</b>												
Nigeria	0	0	1	190	1	538	1	23	0	0	3	751
Mauritius	0	0	0	0	1	29	0	0	1	95	2	124
Kenya	2	75	0	0	1	7	1	35	0	0	4	117
Ghana	0	0	0	0	1	1	2	1	2	102	5	104
Botswana	1	47	0	0	0	0	1	9	1	42	3	98
BRVM	0	0	0	0	1	7	1	14	1	63	3	84
BVMAC	0	0	1	66	0	0	0	0	0	0	1	66
Uganda	1	66	0	0	0	0	0	0	0	0	1	66
Rwanda	0	0	0	0	0	0	1	39	0	0	1	39
Tanzania	0	0	1	2	2	6	1	15	1	5	5	28
Mozambique	0	0	1	11	0	0	0	0	0	0	1	11
Zambia	0	0	0	0	1	9	0	0	0	0	1	9
Zimbabwe	0	0	0	0	0	0	0	0	1	<1	1	<1

\* Data includes IPOs listed on African exchanges and therefore excludes outbound IPOs. Companies listed on two exchanges or more are accounted for on each exchange.

Source: Dealogic

## Top 10 African IPOs by value 2016

The composition of top 10 African IPOs by value in 2016 was more geographically diverse than that of the previous year, which was mostly concentrated in South Africa, Egypt and Morocco.

In 2016, listings of banks on the BRVM and Ghana exchanges, and of pharmaceutical company Biopharm as the first IPO on the Algiers Stock

Exchange since 2010 featured among the top 10.

While the top 10 remains weighted towards financial services companies, 2016 listings within this sector included fewer pure property companies and REITs and a greater proportion of banks and private equity houses than in the previous two years.

Other sectors represented in the top 10 in 2016 echo trends from previous years, including large companies specialising in food, personal care and health-related products.

Figure 7: Top 10 African IPOs by value, 2016 and 2015

Name	Capital raised \$m	Sector	Country of operation	Stock exchange
<b>Top 10 IPOs 2016</b>				
Dis-Chem Pharmacies Ltd	305	Consumer goods	South Africa	Johannesburg
Liberty Two Degrees	272	Financials	South Africa	Johannesburg
Societe d'Exploitation des Ports - Marsa Maroc	195	Industrials	Morocco	Casablanca
Ethos Private Equity Capital Partners Ltd	127	Financials	South Africa	Johannesburg
Arabian Food Industries Co Domty SAE	126	Consumer goods	Egypt	Cairo
Universal Partners Ltd	95	Financials	Mauritius	Johannesburg AltX/Mauritius
Agricultural Development Bank	77	Financials	Ghana	Ghana
Coris Bank International SA	63	Financials	Burkina Faso	BRVM
Biopharm SpA	58	Healthcare	Algeria	Algiers
Obour Land Foodstuff Industries SAE	43	Consumer goods	Egypt	Cairo
<b>Top 10 IPOs 2015</b>				
Integrated Diagnostics Holdings plc	334	Healthcare	Egypt	London
Emaar Misr for Development SAE	299	Financials	Egypt	Cairo
Edita Food Industries SAE	267	Consumer goods	Egypt	Cairo/London
Orascom Construction Ltd	185	Industrials	United Arab Emirates	Cairo/Dubai
Schroder European Real Estate Investment Trust plc	162	Financials	United Kingdom	Johannesburg/ London
Balwin Properties Ltd	131	Financials	South Africa	Johannesburg
Novus Holdings Ltd	98	Industrials	South Africa	Johannesburg
Stor-Age Property REIT Ltd	80	Financials	South Africa	Johannesburg
Capital Appreciation Ltd	75	Financials	South Africa	Johannesburg
Total Maroc SA	74	Oil & gas	Morocco	Casablanca

Source: Dealogic

## Share price performance of top 10 2016 African IPOs at 31 December 2016

The EGX's performance continued to decline throughout 2016 amid heavy selling by foreign investors and Egyptian financial institutions as a result of the continued challenging economic and political environment. This may account, in part, for the poor performance of a number of the Egyptian stocks listed in both 2015 and 2016, such as Orascom Construction, Emaar Misr for Development, Edita Food Industries and Domty.

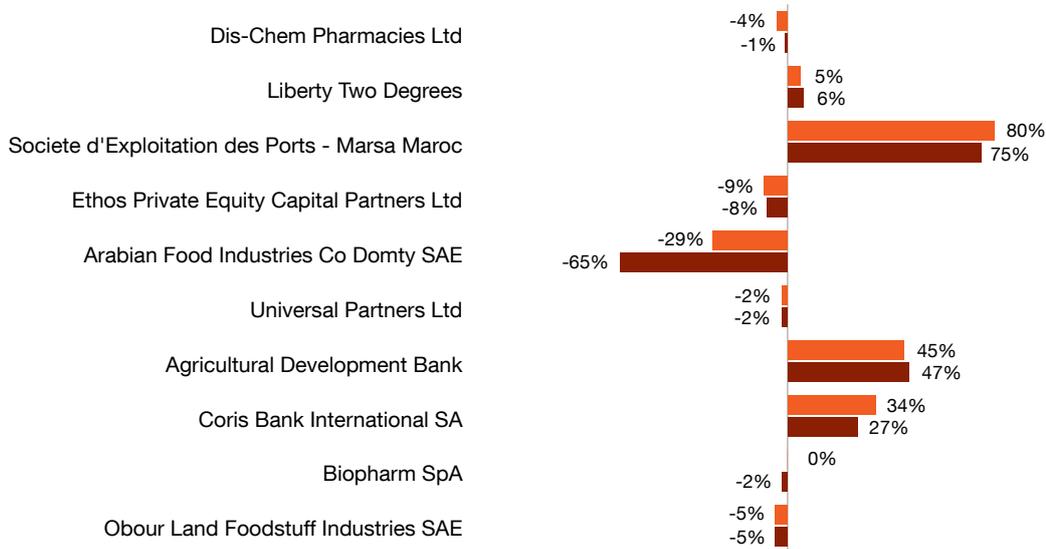
As the IMF stabilisation programme takes hold, and as the price of EGX shares is comparatively more attractive to foreign investment following the devaluation of the Egyptian pound, 2017 looks to be a better year in that market.

Among the top 10 African IPOs in 2016 was Coris Bank International SA, the BRVM's first top 10 IPO since our analysis began. Coris Bank's share price performance shows a 34% increase over its listing price at year end, and though share only began trading on 28 December 2016, this upward trajectory reflects the nearly 300% oversubscription for the IPO; the bank's shares have continued to rise into 2017.

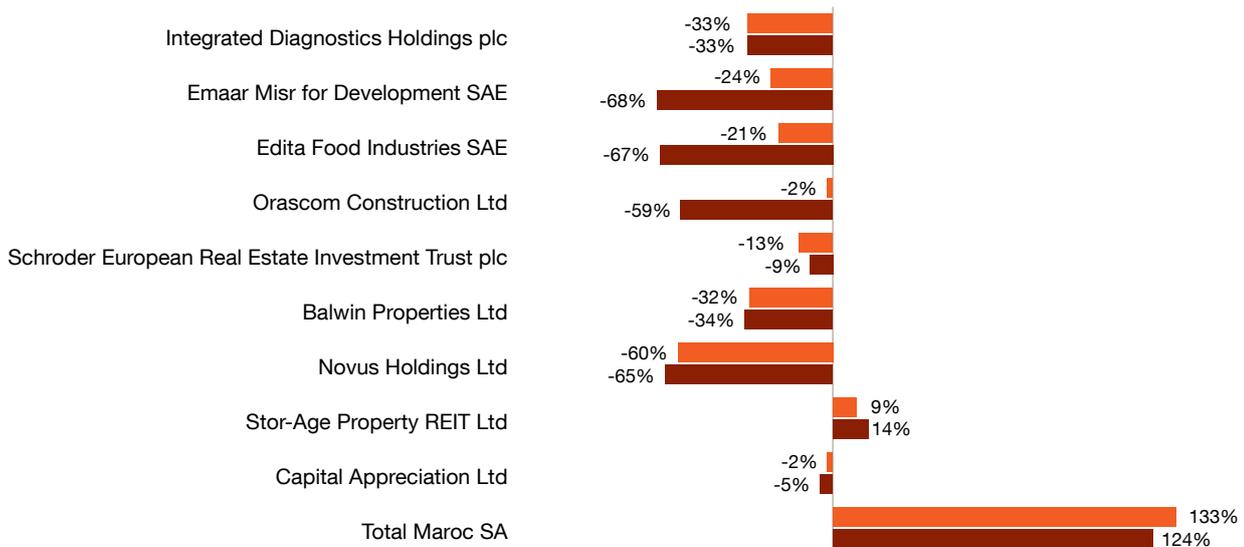
The other notable performance was that of Marsa Maroc, after the first ever partial privatisation in Morocco saw an 80% share price appreciation, likely reflective of the lower risk profile of this debt-free company and its ambitious growth plans, as it prepares to bid for two further terminals at Casablanca Port and explores regional opportunities elsewhere in North and West Africa.

**Figure 8: Share price performance of 2016 and 2015 top 10 African IPOs at 31 December 2016**

*2016 top 10 African IPOs (31 December 2016 price vs. offer price)*



*2015 top 10 African IPOs (31 December 2016 price vs. offer price)*



■ Change % in offer price currency  
■ Change % in USD equivalent

Source: Stock exchanges, S&P Capital IQ, Thomson Reuters



## African IPO breakdown by sector in 2016

During 2016, the financials sector continued to dominate the African IPO market with 45% of total value and 55% of total volume, which is consistent with sector themes noted on global IPO markets.

The next most active sector for African listings was consumer goods, raising 31% of total IPO proceeds, again driven by a few large IPOs such as Dis-Chem and Domty, which together accounted for 28% of total African IPO proceeds raised in 2016.

Figure 9: IPO sector breakdown by volume, 2016

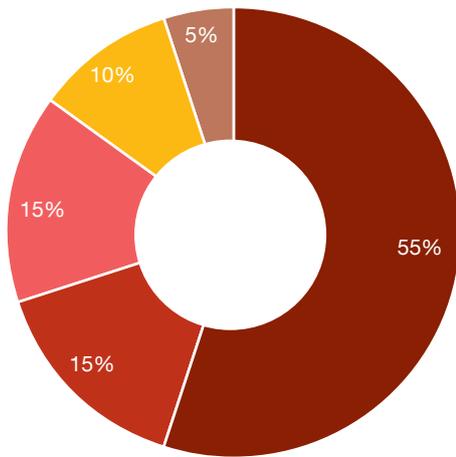
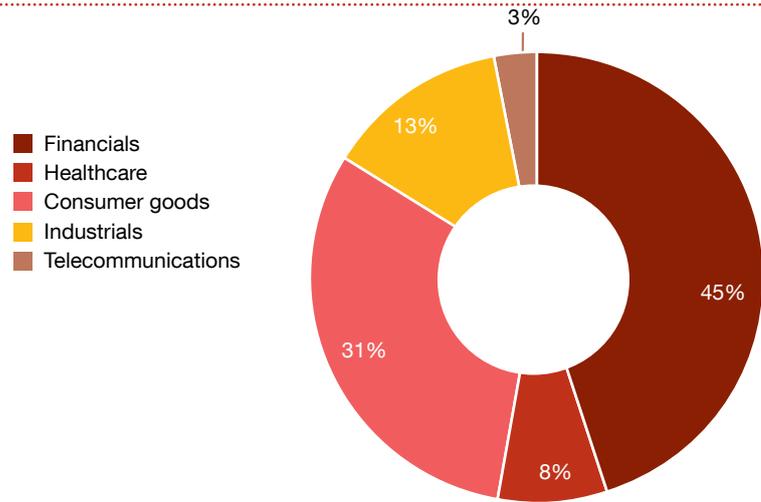


Figure 10: IPO sector breakdown by value, 2016



Source: Dealogic



## African IPO breakdown by sector, 2012-2016

Similar to 2016 standalone results, over the past five years, the financials sector led the African IPO market with 45% of total volume and 45% of total value, driven in large part by the popularity of property company and REIT listings (39% of total volume and 59% of total value of the financials sector during this period); we expect activity by property funds to continue into 2017. The consumer goods and industrials sectors followed with a total value of 17% and 11% respectively.

Figure 11: IPO sector breakdown by volume, 2012 – 2016

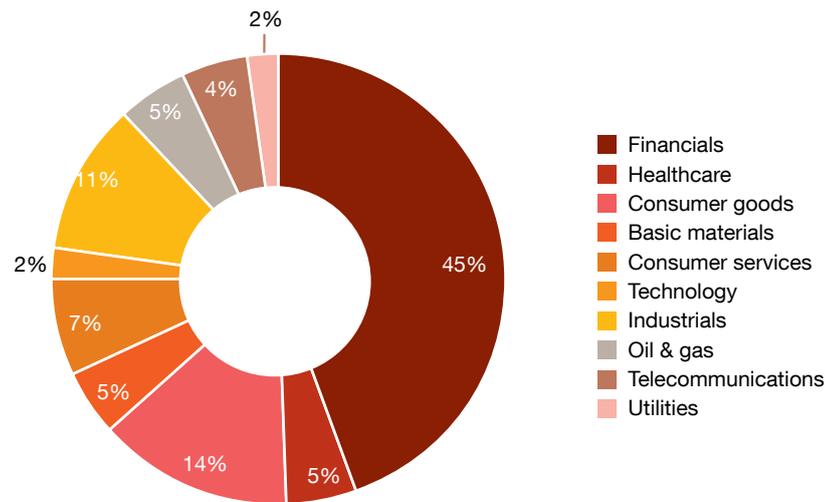
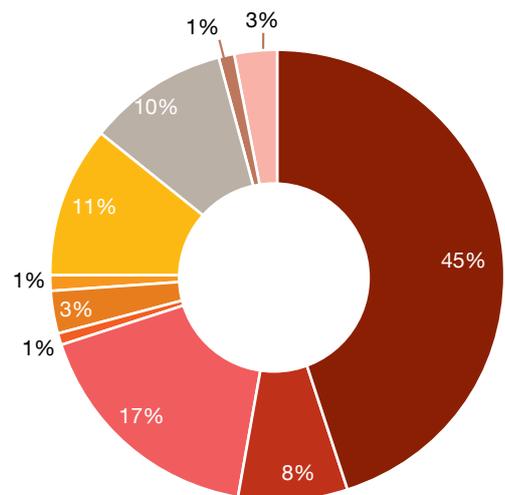


Figure 12: IPO sector breakdown by value 2012 – 2016



Source: Dealogic



# African FO Market

## African FO trends

Over the past five years, there have been 340 FOs by African companies, raising \$38.4 billion on both African and international exchanges. As was the case with the IPO market, FO activity was hit in 2016 by a significant decrease in terms of transaction volume and value, down 27% and 34%, respectively.

The decline in FO activity in 2016 after a two-year period of sustained growth reflects many of the challenges and uncertainties in Africa and around the globe discussed earlier.

The geography of 2016 FOs remains clear, with 85% of FO proceeds raised either by South African companies or by foreign companies listed on the JSE.

However, the nature of these FOs depicts a mixed landscape, with a significant portion of funds raised for business restructuring or divestiture by foreign investors looking to monetise—or exit—their African investments.

Barclays Africa Group Limited’s May 2016 FO, for instance, came as a result of Barclays plc’s managed sell-down of its African subsidiary, with proceeds of \$905.9 million accounting for 12% of 2016 total FO proceeds.

Also in South Africa, \$625.5 million in FO proceeds were raised in September as GlaxoSmithKline sold its remaining shareholding in Aspen Pharmaceuticals.

Elsewhere on the continent, private-equity investor Actis fully exited electricity distributor Umeme in November through an FO on the Uganda Securities Exchange.

On the flip side, major FOs during the year were targeted at acquisition as opposed to divestiture, including the October rights offer by Remgro Limited, which tapped equity markets for the first time in decades to raise \$662.3 million in anticipation of future investment, and the \$624.7 million raised in September by Steinhoff International related to its further diversifying acquisitions of UK and US retailers during the year.

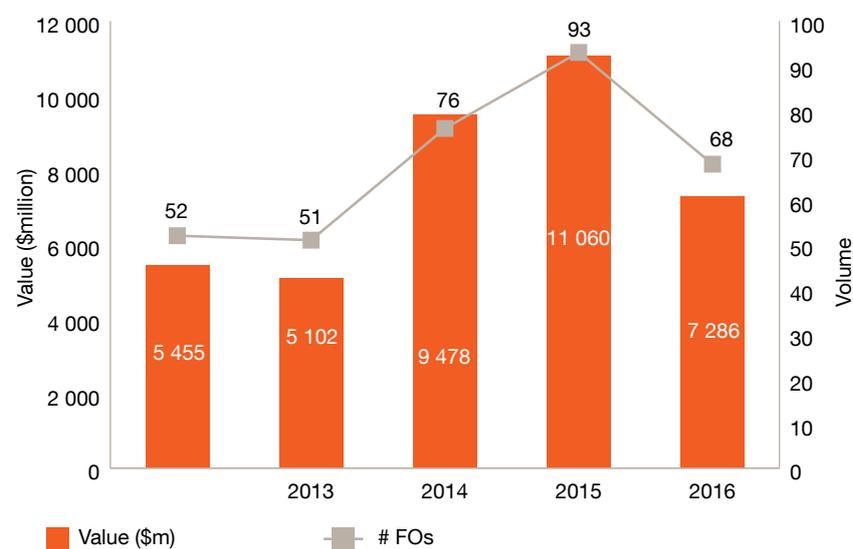
Still other FOs were undertaken to address immediate liquidity needs, such as the \$282 million raised by JSE-listed PPC Limited in September, following a credit rating downgrade and subsequent early redemption call on outstanding notes.

Finally, while not achieving further privatisation, a trend observed in IPO data for 2016, Kenyan utility KenGen

undertook a rights issue in May, raising \$262 million, the largest ECM deal in East Africa in nearly a decade. Funds were raised from existing shareholders, including the Kenyan Government as majority shareholder, providing funding for a planned expansion of its power production capacity.

During the five-year period from 2012, average FO capital raised per transaction of \$112.9 million remained well above the average proceeds raised from IPOs of \$59.4 million, as a number of large, seasoned issuers, such as Naspers, Aspen, Mediclinic and Steinhoff, among others, tapped markets 17 times for proceeds in excess of \$500 million; only one IPO, that of Seplat in 2014 exceeded the \$500 million threshold.

Figure 13: FO trends, 2012 – 2016



Source: Dealogic

## African FO data by exchange

Both during 2016 and over the five-year period, the vast majority of FO activity was from SSA countries, representing 78% and 81% in total FOs volume, respectively, and 96% and 95%, respectively of total FO value.

Between 2012 and 2016, FO capital raised on the JSE represented 87% of total African FO capital raised and 71% of total transaction volume.

In terms of movements from 2015, Nigerian FO activity dried up, with no further offers in 2016, likely attributable to the ongoing recession and exchange rate environment.

Tunisia also saw a sharp decrease in activity, though the magnitude of the decrease is attributable to a single large FO by STB Bank in 2015.

Conversely, the Stock Exchange of Mauritius (SEM) saw a nearly four-fold increase in the value of FOs, due to the proceeds raised by AltX/SEM dual-listed Greenbay Properties Limited, an investor in global real estate assets and listed company shares.

Figure 14: FOs by African exchange\*, 2012 - 2016

Exchange country	2012		2013		2014		2015		2016		Total	
	Number of FOs	Capital raised (\$m)	Number of FOs	Capital raised (\$m)	Number of FOs**	Capital raised (\$m)**	Number of FOs***	Capital raised (\$m)***	Number of FOs	Capital raised (\$m)	Number of FOs	Capital raised (\$m)
<b>South Africa</b>	37	4 828	35	4 458	54	8 165	71	9 757	45	6 202	242	33 410
Johannesburg	34	4 800	34	4 458	48	8 066	65	9 564	41	5 733	222	32 621
Johannesburg AltX	3	28	1	<1	6	99	6	193	4	469	20	789
<b>North Africa</b>												
Egypt	1	3	1	88	1	522	3	199	5	73	11	885
Tunisia	0	0	3	60	1	12	2	391	2	12	8	475
Morocco	0	0	1	47	1	71	2	195	0	0	4	313
<b>Sub-Saharan Africa excluding South Africa</b>												
Nigeria	2	224	2	424	2	359	4	512	0	0	10	1,519
Mauritius	1	13	0	0	3	34	3	87	3	442	10	576
Kenya	3	239	0	0	2	46	0	0	3	272	8	557
Uganda	0	0	0	0	1	98	0	0	1	32	2	130
Tanzania	0	0	0	0	0	0	1	74	0	0	1	74
Zambia	0	0	0	0	1	62	0	0	0	0	1	62
Malawi	0	0	0	0	0	0	0	0	1	10	1	10

\* Data includes FOs listed on African exchanges and excludes outbound FOs. Companies listed on two exchanges or more are accounted for on each exchange.

\*\* Data for 2014 has been restated to appropriately reflect a correction of the data set, indicating dual-listing of Atlantic Leaf's three 2014 FOs on the AltX and SEM.

\*\*\*Data for 2015 has been restated, reflecting a correction of the data set, indicating Atlantic Leaf's 2015 FO on the AltX of the JSE, instead of the Main Board.

Source: Dealogic

## African FOs by sector in 2016

During 2016, the sector composition of African FO activity was broadly consistent with the five-year average in terms of value, with the financials sector contributing 47% of total FO value, followed by the healthcare sector at 12%.

The August rights offer and private placement by Ascendis Health of \$201.6 million, targeted at acquisition of two European health brands, and the proceeds from GlaxoSmithKline's divestiture of its stake in Aspen Pharmaceuticals comprised 97% of this of healthcare FO value in 2016.

In terms of volumes, financials comprised 41% of the total, followed by the basic material sector at 24%.

Figure 15: FO sector breakdown by volume, 2016

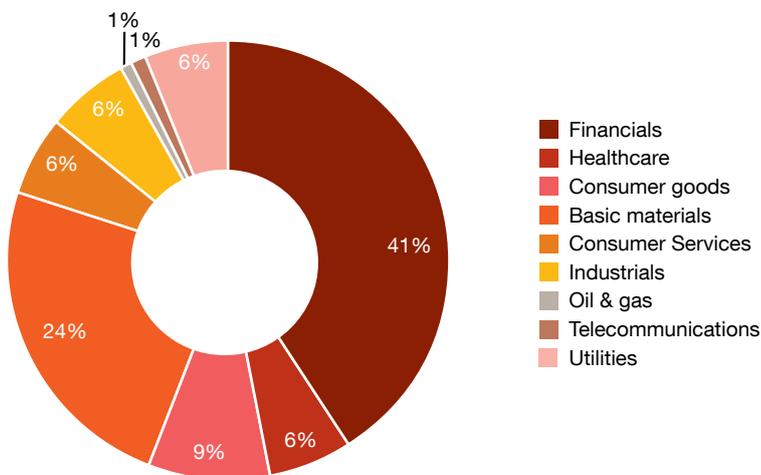
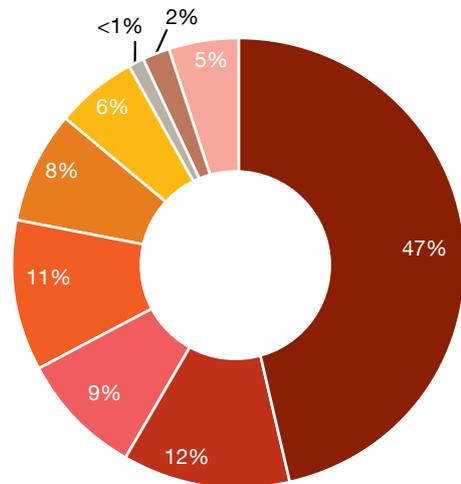


Figure 16: FO sector breakdown by value, 2016



Source: Dealogic



Figure 17: FO sector breakdown by volume, 2012-2016

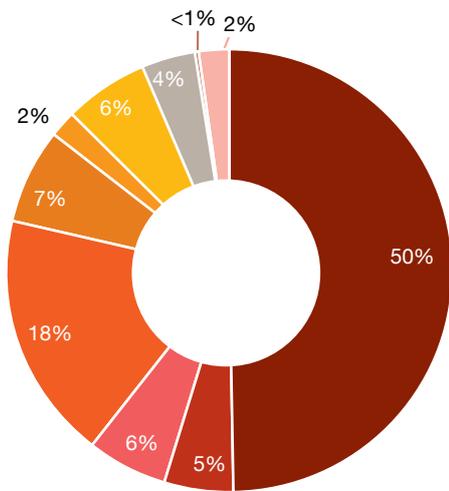
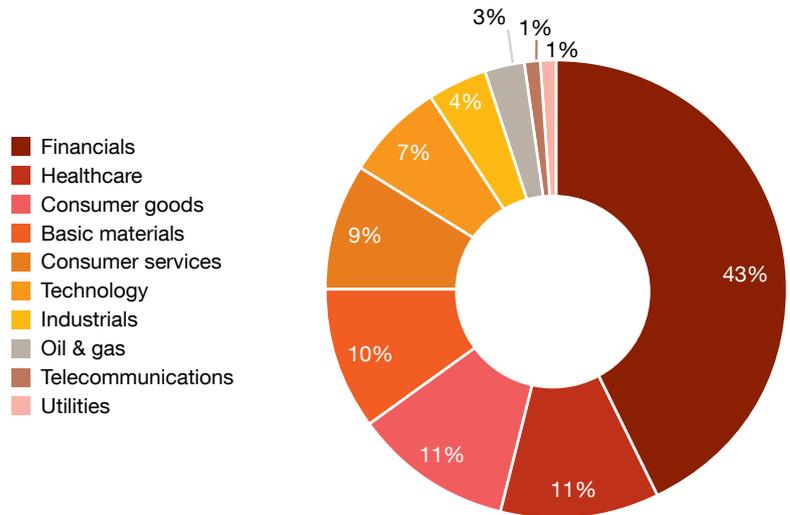


Figure 18: FO sector breakdown by value, 2012-2016



Source: Dealogic



# African IPOs and FOs: Analysis of cross-border activity

There was an overall drop in cross-border ECM activity in 2016 compared to both 2015 and 2014, specifically activity outside of Africa.

However, cross-border FO activity benefitted in 2016 from the October FO by dual-listed Atlantic Leaf Properties, which also moved from the AltX to the Main Board of the JSE this year.

Additionally, 2016 saw the first dual listing within Africa in four years as Mauritius' Universal Partners Ltd launched its IPO on the Mauritius SEM and the JSE's AltX in August 2016.

The recent trend of African companies executing dual IPOs on the London Stock Exchange and their domestic exchange did not persist in 2016.

Although a number of companies expressed an interest in doing so, none took place, a reflection of both economic challenges in Africa and the relative attractiveness of a London listing post Brexit vote.

Figure 19: Outbound and Inbound IPOs and FOs, 2012-2016

## IPOs

Outbound (African companies offering outside Africa)						Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
2012	2013	2014	2015	2016						
		●			Seplat Petroleum Development Co Ltd	Nigeria	Oil & gas	London; Nigerian Stock Exchange	538	
			●		Integrated Diagnostics Holdings plc	Egypt	Healthcare	London	334	
			●		Edita Food Industries SAE	Egypt	Consumer goods	Cairo; London	267	
	●				Lekoil Ltd	Nigeria	Oil & gas	AIM	49	
●					Bushveld Minerals Ltd	South Africa	Basic materials	AIM	9	
			●		KKO International SA	Côte D'Ivoire	Consumer goods	Brussels - Alternext; Paris - Alternext	7	
●					Premier African Minerals Ltd	Togo	Basic materials	AIM	2	

Inbound (non-African companies offering in Africa)						Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
2012	2013	2014	2015	2016						
			●		Orascom Construction Ltd	United Arab Emirates	Industrials	Cairo; NASDAQ Dubai	185	
			●		Schroder European Real Estate Investment Trust plc	United Kingdom	Financials	Johannesburg; London	162	
	●				Investec Australia Property Fund	Australia	Financials	Johannesburg	107	

Cross-border within Africa (African companies offering on domestic and/or other African exchange)						Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
2012	2013	2014	2015	2016						
				●	Universal Partners Ltd	Mauritius	Financials	Johannesburg AltX; Mauritius	95	
●					Umeme Ltd	Uganda	Utilities	Nairobi; Uganda Securities Exchange	66	

Source: Dealogic

## FOs

Top 5 Outbound FOs (African companies offering outside Africa)									
2012	2013	2014	2015	2016	Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
				●	Steinhoff International Holdings NV	South Africa	Consumer goods	Frankfurt Prime	625
		●			Aquarius Platinum Ltd	South Africa	Basic materials	Australian Stock Exchange; Johannesburg; London	235
	●				MiX Telematics Ltd	South Africa	Industrials	New York	116
	●				Lekoil Ltd	Nigeria	Oil & gas	AIM - London Alternative Investment Market	100
		●			Delta International Property Holdings Ltd	South Africa	Financials	Bermuda; Johannesburg	87

Top 5 Inbound FOs (non-African companies offering in Africa)									
2012	2013	2014	2015	2016	Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
		●			Intu Properties plc	United Kingdom	Financials	Johannesburg; London	846
●					Lonmin	United Kingdom	Basic materials	Johannesburg; London	845
	●				Intu Properties plc	United Kingdom	Financials	Johannesburg; London	424
			●		Lonmin	United Kingdom	Basic materials	Johannesburg; London	407
		●			MAS Real Estate Inc	Isle of Man	Financials	Johannesburg; Luxembourg	255

Top 5 Cross-border within Africa (African companies offering on domestic and/or other African exchange)									
2012	2013	2014	2015	2016	Issuer's name	Country	Sector	Stock exchange	Capital raised (\$m)
	●				Oando plc	Nigeria	Oil & gas	Johannesburg; Nigerian Stock Exchange	344
				●	Greenbay Properties Ltd	Mauritius	Financials	Johannesburg AltX; Mauritius	256
			●		Oando plc	Nigeria	Oil & gas	Johannesburg; Nigerian Stock Exchange	243
				●	Greenbay Properties Ltd	Mauritius	Financials	Johannesburg AltX; Mauritius	161
			●		Choppies Enterprises Ltd	Botswana	Consumer services	Johannesburg	114

Source: Dealogic

# African debt markets

Our analysis of the African debt markets in 2016 has been modified from last year's publication, reflecting the lack of depth of data during the year for meaningful analysis of trends.

As indicated in our previous publication, it should be reiterated that DCM activity—and this year, Eurobond DCM activity—represents only a portion of the total debt raised in Africa, with a large component of debt funding sourced from traditional bank finance, other lending arrangements with investors or debt raised in local currency on local exchanges, for which complete data is not readily available.

## Eurobond capital raised

Eurobond activity by African corporates continued to decline, with IG and HY proceeds from Eurobond issuances falling by 21% to \$4.5 billion and the number of issuances by 53% to just seven. Interestingly, proceeds from all seven of these 2016 issuances were raised in US dollars, and all were raised under the US Securities and Exchange Commission's (SEC) Rule 144A<sup>4</sup>.

In terms of IG issuances, 2016 saw only two—with \$1.0 billion raised by South African mobile communications giant MTN on the Irish Stock Exchange, and \$0.5 billion raised by a Mauritian subsidiary of global agrochemical producer UPL in Singapore, both in October. Average yield-to-maturity for these IG issuances is 5.04%.

HY debt issued during the year featured five transactions, averaging \$597 million per issuance, by companies in Egypt, Nigeria, South Africa and Mauritius, including Global Telecom Holdings, Access Bank, Sappi and HT Global IT Solutions. Telecommunication infrastructure firm IHS was also among these, raising US\$800 million on the Irish Stock Exchange, in the largest ever high yield bond issuance by an SSA corporate.

The common theme across these issuances was the use of proceeds to refinance or repay existing debt or other obligations, reflecting a focus in 2016 on strengthening balance sheets during challenging times.

HY issuances in 2016 had a slightly higher average yield-to-maturity of 7.6%, though this average is tempered by relatively lower yields of bonds issued by companies with diverse global operations, revenue streams and guarantee structures.

Proceeds from Eurobond issuances by sovereign and supranational organisations increased by 30% in 2016 to \$17.7 billion. This figure, however, includes extensive capital raising activities by the African Development Bank (with 81% of sovereign and supranational issuances and 55% of sovereign and supranational debt raised), and comparatively fewer issuances by African governments than in recent years. Only South Africa, Mozambique, Tunisia and Ghana tapped international markets for debt finance in 2016.

## Role of local capital markets

In the trailing five-year period analysed in our 2015 publication, bond activity on local capital markets formed only a small portion of total DCM activity.

However, as corporates across the continent retreated from risks related to foreign currency funding in 2016, and as global appetite for African debt securities declined, local markets played a more significant role in the overall DCM story, particularly in Nigeria.

While we do not have sufficient data to analyse this trend completely across the continent's debt exchanges, we do note a clear increase in activity on some local markets.

Nigeria's FMDQ, for instance, posted strong primary market activity with issuances by Lafarge of NGN60 billion, by Guinness Nigeria of NGN10 billion, by Access Bank of NGN35 billion and by FSDH Merchant Bank of NGN15 billion, among others.

In South Africa, domestic issuances continued at a healthy pace, with companies including Liberty, Santam, Calgro M3, FirstRand and others turning to the JSE to tap established debt programmes to raise proceeds.



<sup>4</sup>SEC Rule 144A provides a non-exclusive safe harbour from the registration requirements of the United States Securities Act of 1933 for sales of securities to "qualified institutional buyers" (QIBs), a term that encompasses banks, insurance companies, certain trust funds, pension plans, corporations and broker-dealers (but not individuals), who meet certain ownership and investment thresholds. Rule 144A offerings have become popular among foreign issuers as they provide a means to raise capital in the US capital markets without being subject to the registration and reporting requirements of a public offering with the SEC.

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