Africa Capital Markets Watch Webinar
May 19, 2020

Moderated by David Ashiagbor, Coordinator
Making Finance Work For Africa

OUR WEBINAR WILL START SHORTLY ...
MFW4A WEBINAR SERIES

Outline

HOUSEKEEPING
MFW4A PRESENTATION
PANELISTS
DISCUSSION
Q&A
CONCLUSION

“Africa Capital Markets Watch”

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Todays’ session is scheduled to last 1 hour including Q&A

To ensure the highest quality of experience, all participants will be muted

QUESTIONS can be submitted via the “Chat” or “Q&A”

Slides and a recording of this presentation will be circulated to registered participants within 72-hours following the webinar. They will also be available on MFW4A.ORG.

Message the organizers for any issues

Don’t forget to fill out the survey that appears automatically after the session
MFW4A WEBINAR SERIES

MFW4A: Vision, Mission

- G8 initiative launched in October 2007.
- Common platform for the harmonization and facilitation of financial sector development and knowledge sharing in Africa.
- Donor partners, African governments, the private sector, and other financial sector with the aim of unleashing the full potential of Africa's financial sector in order to drive economic development and reduce poverty across the continent.
Our work program encompasses three inter-linked strategic pillars:

- **Financial inclusion**
  - Digital finance
  - Agriculture finance
  - SMEs finance

- **Long-term finance**
  - Capital markets
  - Pension systems
  - Housing finance

- **Financial stability and regulation**
  - Community of African Banking Supervisors (CABS)

**Knowledge Management and Advocacy**

"Africa Capital Markets Watch"

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Our Members

“Africa Capital Markets Watch”

HOUSEKEEPING
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PANELISTS

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Speakers

**Dr. Andrew S. Nevin**  
Partner & Chief Economist,  
**PricewaterhouseCoopers Nigeria**

**Alice Tomdio,**  
Director, Capital Market Services,  
**PricewaterhouseCoopers Nigeria**

**Moderator**

**David Ashiagbor**  
Coordinator,  **Making Finance Work for Africa**

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Content

1. Capital raising in Africa
2. Equity Capital Markets in Africa
3. Debt Capital Markets in Africa
Capital raising in Africa
As at January 2020, the IMF projected that global growth will improve from 2.9% in 2019 to 3.3% in 2020.

Following the COVID-19 pandemic and its impact on the global economy, the IMF in April 2020 has revised its global growth projections downward to –3%.

This implies that the world will enter into a recession this year, with the outlook much lower than it was during the financial recession in 2008.

The IMF estimates that the global economy will bounce back in 2021 with significant 5.8% growth, as business activities return to normal levels aided by supportive policy measures from countries.

Source: IMF, PwC analysis

### Economic outlook by region (GDP growth rate, %)

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2.9</td>
<td>-3.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Advanced Economies</td>
<td>1.7</td>
<td>-6.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Emerging Market &amp; Developing Economies</td>
<td>3.7</td>
<td>-1.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.1</td>
<td>-1.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>
Remittances are the leading source of capital inflows to Africa from 2013 to 2019

- $66.2bn was raised through IPOs and FOs in Africa between 2013 and 2019
- 2019 remittances to Africa alone were $84.8bn
- ECM funds raised every year represent less than 10% of total capital raised (ECM, remittances, and FDI)

Source: Dealogic, UNCTAD and Migration Data Portal

Note: there is no official data for Foreign Direct Investment into Africa in 2019.
Innovation needed to crowd in Africa’s SMEs into capital markets

Market capitalization-to-GDP of select countries in 2018

- South Africa: 235.0%
- United States: 148.2%
- Malaysia: 111.0%
- India: 76.6%
- China: 46.5%
- Morocco: 51.8%
- Indonesia: 46.7%
- Brazil: 49.1%
- Egypt: 16.7%
- Nigeria: 7.9%

More savings needed to drive the growth of Africa’s capital markets

Pension asset-to-GDP ratio of select countries in 2019

- United States: 136.2%
- United Kingdom: 125.8%
- South Africa: 64.3%
- Nigeria: 24.0%
- Brazil: 13.7%
- India: 6.3%
- Egypt*: 1.6%
- China: 1.6%
Equity capital markets in Africa
2019 had the lowest proceeds from ECM transactions between 2010 and 2019 with US$4.72 billion raised

### 2019 Top-5 ECM Transactions

<table>
<thead>
<tr>
<th>Company</th>
<th>Deal Type</th>
<th>Value (USD)</th>
<th>Sector</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maroc Telecoms</td>
<td>Follow-On</td>
<td>693,551,713</td>
<td>Telecoms</td>
<td>Morocco</td>
</tr>
<tr>
<td>Airtel Africa Plc</td>
<td>IPO</td>
<td>686,533,293</td>
<td>Telecoms</td>
<td>Nigeria</td>
</tr>
<tr>
<td>KAP Industries Holdings Plc</td>
<td>Follow-On</td>
<td>327,105,711</td>
<td>Industrials</td>
<td>South Africa</td>
</tr>
<tr>
<td>Larfage Africa Plc</td>
<td>Follow-On</td>
<td>247,957,538</td>
<td>Basic Materials</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Maroc Telecoms</td>
<td>Follow-On</td>
<td>230,326,153</td>
<td>Telecoms</td>
<td>Morocco</td>
</tr>
</tbody>
</table>

Source: Dealogic, PwC Analysis

### 2010-2019 Africa ECM Volume and Value

- **Value (USD millions)**
- **Volume**

Source: Dealogic, PwC Analysis
2019 had the lowest IPO volume from 2010 to 2019

- Over the past ten years there have been 215 IPOs by African companies in Africa and on international exchanges, raising US$16.9 billion
- The highest number of IPOs was recorded in 2015, with 32 IPOs
- The largest IPO proceeds of US$3.1 billion was raised in 2017
- Eight of the top 10 IPOs, by value, were recorded on the JSE
- Steinhoff Africa Retail Ltd accounted for the largest African IPO in the last decade, raising $1.2 billion in 2017 on the JSE
- The second largest IPO was Vivo Energy’s dual listing on the JSE and LSE, raising $819.3 million in 2018
- The Seplat dual listing on the NSE and LSE in 2014 was the third largest African IPO by value

Source: Dealogic, PwC Analysis
2019 had the lowest FO value from 2010 to 2019

- Over the past ten years, a total of **712 FO deals** were recorded on African exchanges and by African companies on international exchanges raising **$71.1 billion**
- The lowest FO proceeds in the past decade was in 2019 with $3.5 billion raised
- Nine out of the top-10 FOs by value were raised on the JSE
- Barclays Africa Group Ltd raised the largest FO in 2017 totalling $2.9 billion
- Naspers Ltd. had the second largest FO raising $2.5 billion in 2015

Source: Dealogic, PwC Analysis
Domestic transactions constitute the largest proportion of both the volume and value of ECM transactions in Africa.

PROPORTION OF IPO AND FO DEALS IN 2019: VOLUME
- Cross-border: 16%
- Domestic: 71%
- Inbound: 3%
- Outbound: 10%

PROPORTION OF IPO AND FO DEALS IN 2019: VALUE
- Cross-border: 5%
- Domestic: 22%
- Inbound: 2%
- Outbound: 71%

Volume and value of cross-border, domestic, outbound and inbound IPOs and FOs, 2010 - 2019

Source: Dealogic, PwC Analysis
US$1.5bn was raised through IPOs and FOs in Africa in Q1 2020

- US$41.6 million was raised through two IPOs in Africa in Q1 2020
  - US$ 28.6mn Airtel Malawi
  - US$12.9mn Emerald Co
- US$1.4 billion was raised through FOs in Africa in Q1 2020
- South Africa led with 84.3% of Africa’s FO capital raised

Q1 2020 Africa FO Deals (USD millions)

Source: Dealogic, PwC Analysis

Top-five Q1 2020 Africa ECM deals

- Bralirwa SE, South Africa: $375mn
- Gold Fields Ltd, South Africa: $251mn
- Sibanye Stillwater Ltd, South Africa: $155mn
- Foschini Group Ltd, South Africa: $130mn
- Transaction Capital Pty Ltd, South Africa: $108mn

Source: Dealogic, PwC Analysis
Debt capital markets in Africa
Almost 50% of 2010 – 2019 debt was raised between 2017 and 2019

African issuers have raised $245.9 billion of non-local currency debt from 759 issues over the past ten years

Almost 50% of debt was raised in the past three years

Egypt was the largest sovereign issuer over the past decade, raising $28.5 billion

Companies in Nigeria and South Africa accounted for 16% and 52% of the total non-local currency corporate debt issues respectively
Egypt was the largest sovereign issuer in 2019

As with trends over the past decade, Egypt was the largest sovereign issuer of non-local currency debt in 2019 raising $8.2 billion.

South Africa was the second largest sovereign issuer in 2019 raising $5 billion.

Angola and Ghana each raised $3 billion and Benin raised $567 million in its inaugural eurobond offer. Both the Angola and Benin issues were more than twice oversubscribed.
The Africa Development Bank is the largest supranational issuer in Africa

The African Development Bank continued to dominate supranational non-local currency debt issues in 2019, accounting for 61% of the $9.4 billion non-local currency supranational issues.

Other supranationals, including Africa Finance Corporation, the West African Development Bank (BOAD), Burundi’s Trade and Development Bank and the African Export-Import Bank accounted for the remaining $3.7 billion raised in 2019.

The bulk of 2019 funds was raised in the second half of the year.

Source: Dealogic, PwC Analysis
The single largest non-local currency corporate debt issuance of 2019 came from IHS Netherlands Holdco BV, part of the IHS Towers group, a telecommunications tower group operating in Nigeria, Cote d’Ivoire, Rwanda, Cameroon and Zambia, which raised $1.3 billion in two tranches.

South African corporate issuers accounted for 52% of non-local currency corporate debt issued between 2010 and 2019.

Nigerian issuers accounted for 15% of the total value of corporate non-local currency debt issues from 2010 to 2019.

The Basic Materials, Telecommunications, and Financial Services sectors, together accounted for 94.7% of corporate issues.

Source: Dealogic, PwC Analysis
Panelists

Geoffrey Odundo
Chief Executive Officer, Nairobi Securities Exchange Plc.

Rev. Daniel Ogbarmey Tetteh
Managing Director SEC Ghana & Chairman West Africa Securities Regulators Association

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Send us your questions using the chat and / or question and answer features.
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