

NSE & KEPSA ROUNDTABLE



Presentation by:

KESTREL CAPITAL (EAST AFRICA) LIMITED

Member of Nairobi Securities Exchange since 1995

Who is Kestrel Capital

30 YEARS OLD

BROAD ACCESS TO
LOCAL AND FOREIGN
INVESTORS

MORE THAN 20
TRANSACTIONS WITHIN
THE LAST 15 YEARS

LEADER IN CORPORATE
ACCESS – CONNECTING
COMPANIES WITH
INVESTORS

1ST BROKER TO
EXECUTE TRADES ON
THE NSE'S USP

LEAD ADVISOR AND
MANAGER OF ESOP'S

KEY TRANSACTIONS

- **Private equity:** +USD 50m private equity secondary trade of a listed bank; ARM USD 140m equity investment
- **REITS:** Acorn Holdings REITS listing on the USP and subsequent rights issues
- **Equity raisings (Rights issues & IPOs):** KCB, DTB, Kenya Airways, Housing Finance, Transcentury, NSE, IPO
- **Commercial Paper structuring and placement:** FTG, Serena, KenoKobil
- **Reorganizations:** Kenya Airways, Deacons, ARM, KenoKobil

The bigger picture

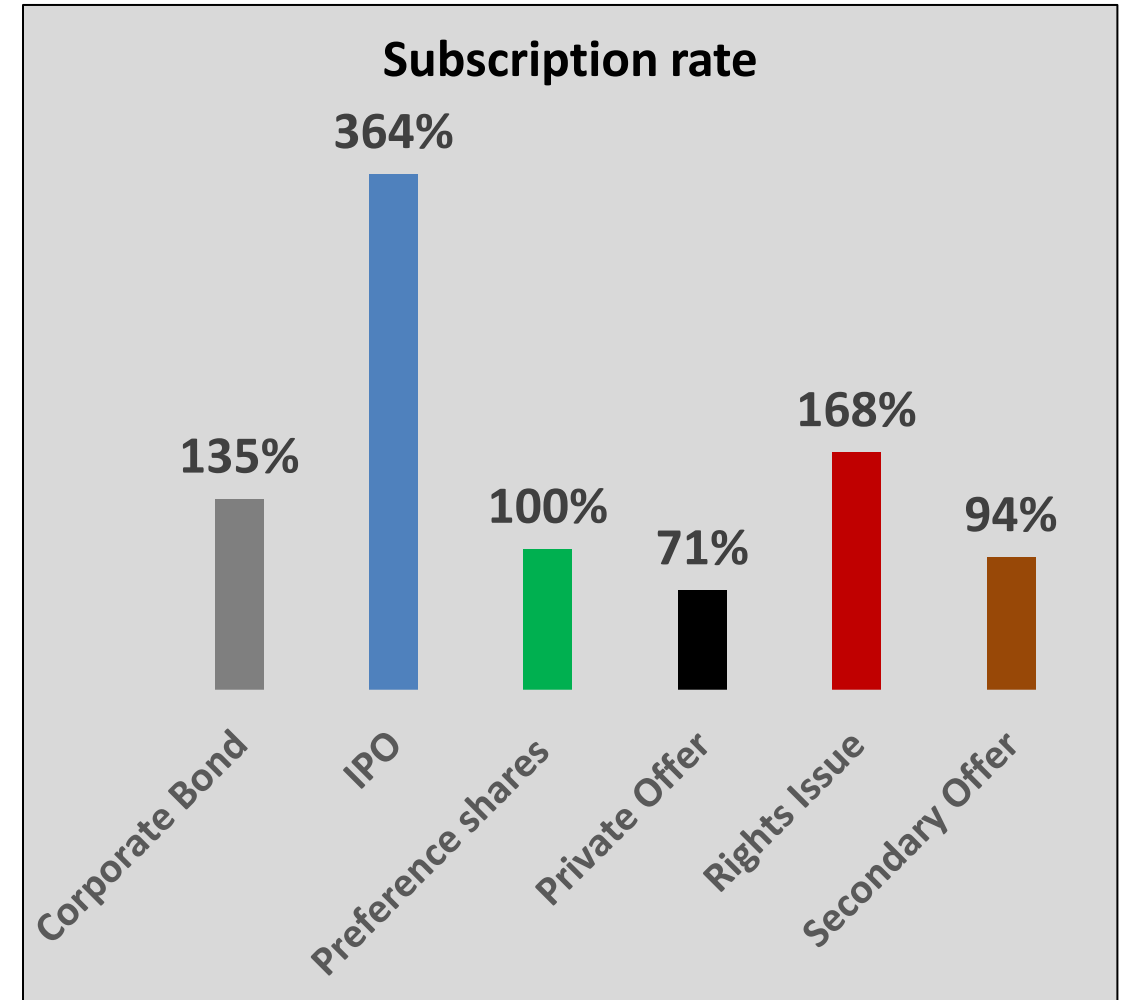
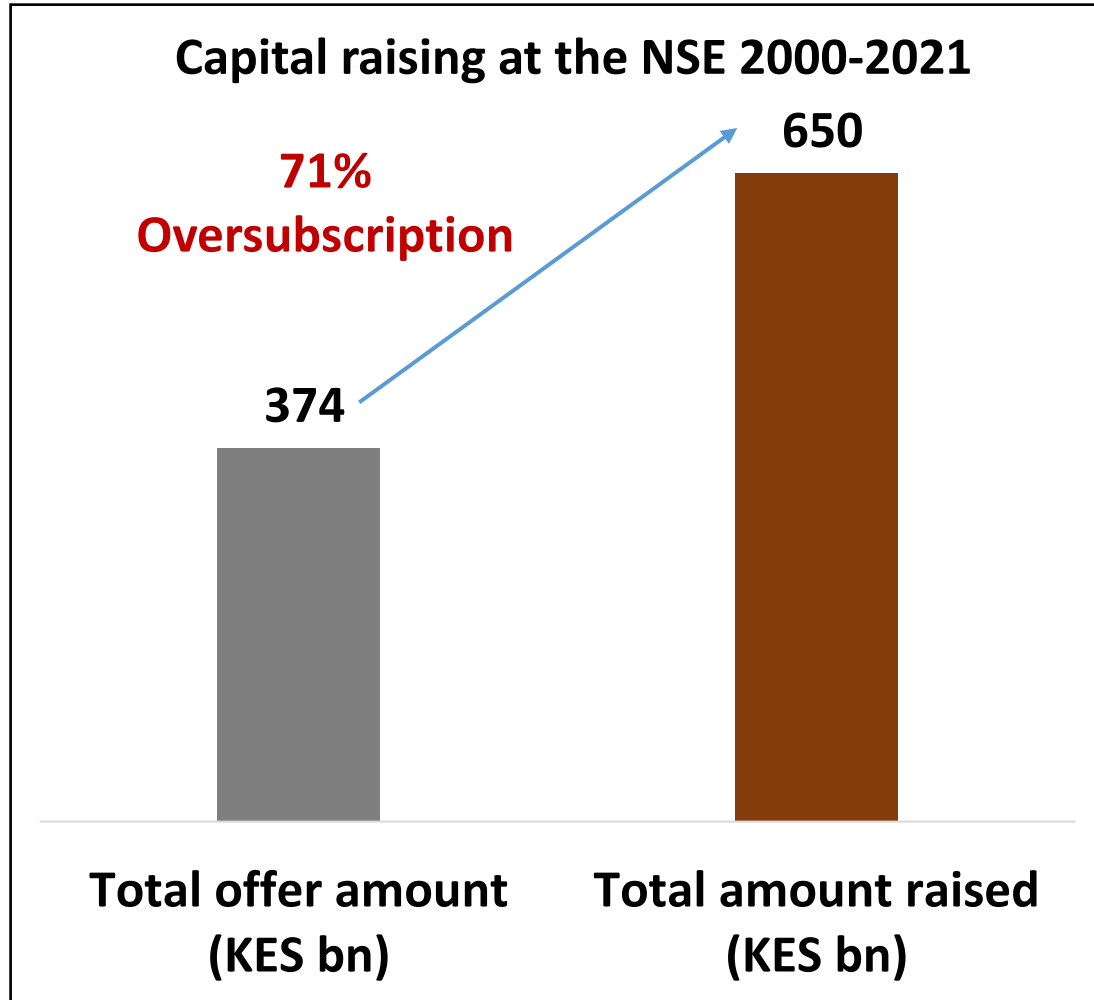
WHAT IS YOUR ENDGAME

YOU HAVE WORKED HARD TO BUILD AND GROW YOUR BUSINESS

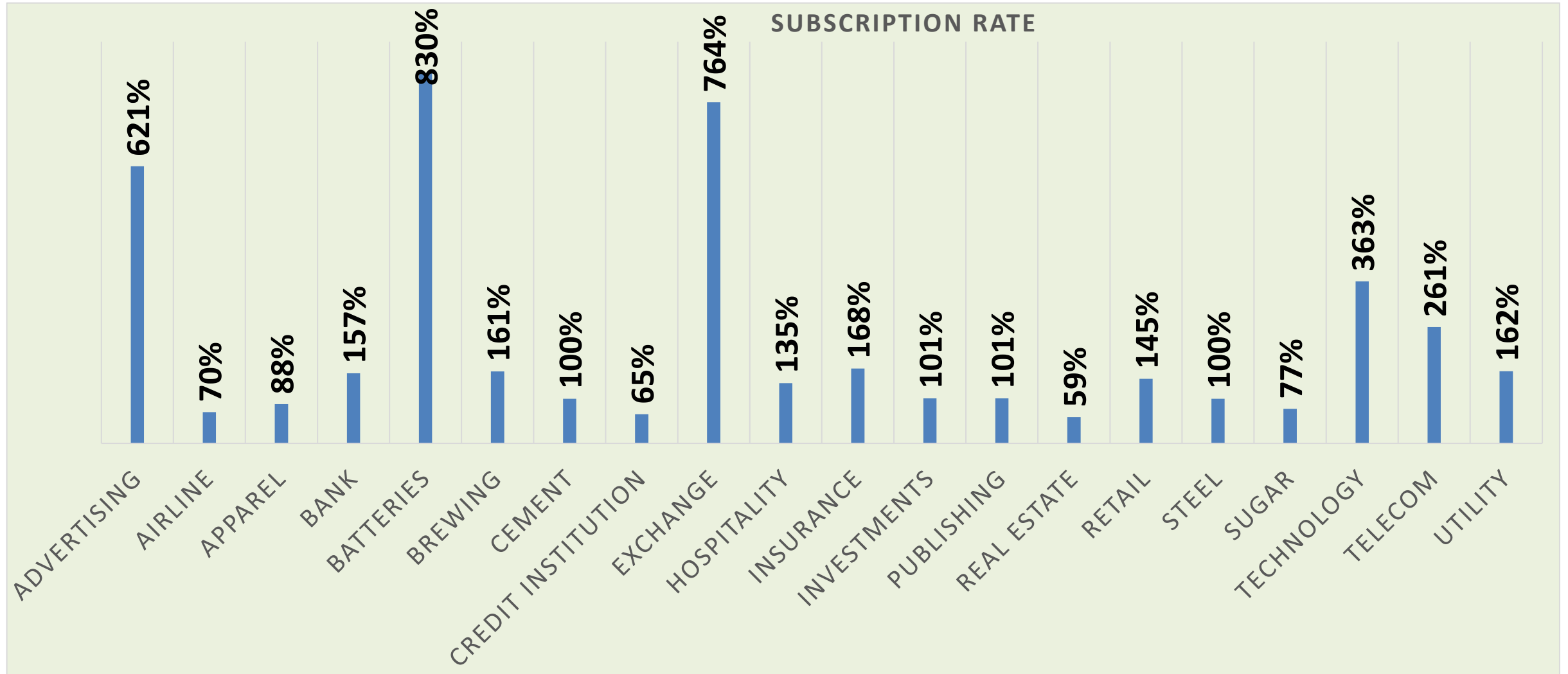
FINANCIAL FLEXIBILITY

ABILITY TO RAISE CAPITAL WHEN NEEDED AND AT THE RIGHT PRICE = RESILIENCE & SUSTAINABLE GROWTH

NSE capital raising history



NSE capital raising history



Tacking stock

KEY CONCERNS	OUR VIEW & EXPERIENCE
Business information will be exposed to competition	<ul style="list-style-type: none">▪ Today how much information do you already have about your non-listed competitors?▪ For your industry it is most likely that the market leader is listed, how has access to their information grown your business, why are they still the market leader?
Corporate governance requirement	<ul style="list-style-type: none">▪ Strong corporate governance is a key strategic advantage, lack thereof is a key business risk; therefore it should be in place even without being listed.▪ Private Equity financiers also demand strict compliance with corporate governance requirements.
Loss of control	<ul style="list-style-type: none">▪ Raising capital from public markets, i.e. multiple investors preserves your control of the business.▪ Private equity investors are more hands-on, and given their defined investment period & internal scorecards, they impose key restrictions or requirements e.g. rapid business growth.

Tacking stock

KEY CONCERNS	OUR VIEW & EXPERIENCE
Poor valuation compared to private markets	<ul style="list-style-type: none">▪ In the past 20 years, public capital raisings have been mostly oversubscribed, demand leads to better valuation.▪ In the past 10 years, the savings pool in Kenya has grown fast & with it investor risk appetite.▪ Currently private equity valuations have adjusted downwards reflecting the increased cost of money, delayed investment exits and subdued company earnings growth.▪ Borrowing from global trends, Kenya based Private equity funds have created sub-funds to invest in publicly listed companies and they do so at premiums above market prices, you can therefore have the best of both worlds.▪ When listing or selling to private equity, you do not have to sell the whole company at one go, sell a little first.

Tacking stock

KEY CONCERNS	OUR VIEW & EXPERIENCE
Bank debt is cheaper	<ul style="list-style-type: none">▪ In the past, many companies have been able to keep their borrowing costs low by borrowing in hard currency. Following the rapid depreciation and volatility of the KES, banks have tightened their hard currency lending requirements.▪ From a cashflow perspective, corporate bonds allow for principal payment at the end of the bond term.▪ Interest rate on corporate bonds can be fixed.
Process is long and uncertain	<ul style="list-style-type: none">▪ The private equity process is also time consuming.▪ To make the public listing process more certain, institutional investors are increasingly opening up to underwriting and book-building. This further supports the valuation discussion.▪ Once you raise equity from the public markets, other than when you pay dividends, you get to keep the money for a long-time.
Increased reporting requirements & costs	<ul style="list-style-type: none">▪ Required reporting standards for public listing are equal, most times, less strenuous than requirements by private equity.▪ Annual listing fees are a % of total value of outstanding securities capped at KES 100,000/=.

It's YOUR time

Talk to us we will help you Plan. Invest. Prosper.

Investors and Institutions have trusted us for over 25 years.

