

Investors notice Africa's transport and logistics opportunities

Improved trade and transport linkages between African countries could open up new markets for businesses.



Source: pixabay.com

Despite recent advances, the African Development Bank (AfDB) estimates only about 11.3% of trade in Africa is intra-regional, highlighting the need for easier movement of goods, services and people across borders.

Strong economic growth

According to Africa Private Equity News, an industry information service, investors are taking notice of these unexploited opportunities, with several transport-related transactions and capital commitments reported during July 2018.

African Infrastructure Investment Managers (AIIM), an infrastructure-focused private equity fund, announced the acquisition of a 50% stake in SEGAP, a holding company with an established portfolio of airport investments across West and Central Africa.

“In recent years we’ve seen strong economic growth across the region and a rising middle class with a growing appetite to fly, creating an attractive sector with much promise. Liberalisation of the air transport market in Africa will

provide further opportunities for growth,” commented Romain Py, head of transactions at ALLM. ”

Furthermore, Nigeria-based Green Africa Airways completed its series-A round of financing with Kuramo Capital, a pan-African investment group based in the US. The new airline has received an Air Transport Licence from the Nigerian government, commenced its Air Operating Certificate process and is in conversations with leading aircraft manufacturers.

In the courier industry, ASOC Fund I, which focuses on injecting money into distressed businesses, acquired and recapitalised Skynet South Africa, which is part of international courier and express parcel network Skynet Worldwide Express.

South African boutique private equity manager, PAPE Fund Managers, has also identified logistics as an attractive sector. It recently announced the \$35m first close of its PAPE Fund III, which will invest in mid-cap SME businesses operating in industries such as manufacturing, telecommunications, infrastructure, logistics and tourism.



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More dealmaking across industries

The transport and logistics industry is set for more dealmaking after the Overseas Private Investment Corporation (OPIC), the US government's development finance institution and a large investor in private equity funds, launched its Connect Africa initiative which will mobilise more than \$1bn to projects that support transportation, communications, and value chains in Africa.

Connect Africa will focus on facilitating investments in roads, railways, ports and airports, as well as logistics, including elements such as vehicles, warehouses, and cold-storage units.

Power, another sector critical for the continent's development, registered robust activity during July. UK-based development finance institution CDC Group teamed up with South African energy producer Globeleq to make a \$66m debt investment in Kenya's Malindi Solar Group. CDC and Globeleq will invest \$50m and \$16m, respectively, in the 52MWp solar power plant.



Building Africa's energy capacity

20 Aug 2018



Two clean energy projects backed by the Emerging Africa Infrastructure Fund, managed by Investec Asset Management, recently also took significant steps forward: the 5.4MW Lubilia Kawembe Hydro electricity generating station in Uganda was formally commissioned and work officially began on the 40MW Central Solar de Mocuba project in Mozambique.

The off-grid electricity industry

It has been suggested that the off-grid electricity industry could be as transformative for Africa as mobile phones.

Tapping into this opportunity, Gaia Impact Fund, a Francophone-focused venture fund specialising in clean energy, backed Senegal-based solar company Oolu. The funding is expected to further strengthen Oolu's operations in Senegal, Burkina Faso and Mali. In addition, energy investor Sunfunder announced a \$20m debt investment in Tanzania-based off-grid energy provider Zola Electric.

South Africa's troubled power utility Eskom might soon also present an opening for private equity investors. During a recent address at the Cape Town Press Club, Paul Mashatile, treasurer general of the ruling ANC, indicated a willingness to allow private equity investments into state-owned enterprises.

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