THE PROPOSED RECAPITALISATION OF M-KOPA HOLDINGS LIMITED SHARE CAPITAL.

1. The Competition Authority of Kenya has approved the proposed recapitalization of M-KOPA Holdings Limited share capital unconditionally, thereby enabling the business enhance the availability of products such as solar lighting equipment to low-income customers on the pay-as-you-go model.

2. CDC Scots LP, **the 1st acquirer**, is a limited partnership registered in the United Kingdom and operating as an investment vehicle that executes CDC Group Plc's mandate of supporting sustainable, long-term growth by businesses in Africa and South Asia. CDC Group Plc invests in various sectors, including manufacturing, agribusiness, infrastructure, financial institutions, construction, health, and education.

3. GIM CSF II (Cayman) Limited (GIM), **the 2nd acquirer** is a limited liability company which, through its parent company, invests in listed and unlisted companies globally, with a focus on North America and Europe through provision of innovative and sustainable solutions. Neither the 2nd acquirer nor its parent company own or control entities in Kenya.

4. LGT Venture Philanthropy Foundation (LGT), **the 3rd acquirer** is a charitable foundation whose main objective it to improve the quality of life of persons living in developing and emerging countries. LGT does not own or control any entities in Kenya.

5. LR Africa Holdings Limited (LRAH), **the 4th acquirer is** a limited liability company with various investments in Africa. LRAH is a global impact investing platform that backs

purpose-driven entrepreneurs tackling the world's biggest challenges. The 4th Acquirer's group does not own or control any entities in Kenya.

6. M-KOPA Holding Limited, **the target**, controls M-KOPA Kenya Limited which, through its subsidiaries, offers connected asset financing to facilitate acquisition of products like solar lighting, televisions, fridges, and smartphones by low-income customers in emerging markets.

7. The proposed transaction involves the conversion into equity of certain convertible loan notes (debt) issued by the target to the acquirers and the amendment and recapitalization of the target share capital. **This will result in change of control in the target. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.**

8. The parties' combined and relevant revenue/assets for the preceding year was **over Sh1 billion.** Therefore, the transaction met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019.**

9. Premised on the merging parties' activities as indicated, the product market considered for analysis of this transaction is the **market for the provision of Pay-As-You-Go asset financing to low-income earners**. The parties provide their services across the country and therefore the relevant market was determined as **national.**

10. Asset financing refers transactions where customers borrows funds for the purchase of an asset. Asset finance classes include hire purchase, equipment lease, operating lease, finance lease, and asset refinance. Asset financing is typically easier to obtain than

normal unsecured bank loans. The fixed payments make budgeting and cash flow simple to manage, most agreements have fixed interest rates. Failure to honor repayment obligations results in asset repossession.

11. According to the OECD, asset-based finance includes asset-based lending, factoring, purchase order finance, warehouse receipts, and leasing. The key advantage of asset-based finance is that firms and individuals can access the cash faster and under more flexible terms. Further, in many OECD countries, and in emerging economies, asset-based finance is widely consumed by SMEs in order to meet their working capital needs, support domestic and international trade, and, partly, for investment purposes.

12. **Pay-As-You-Go (PAYGO)** is a financing technology that facilitates end-users to pay for products or services in installments but while using the asset in question. PAYGO removes the financial barrier that limits consumers from accessing life-enhancing products by facilitating them to make payments in modest installments as opposed to the entire purchase price.

13. Kenya's asset finance space is well established and continues to grow in terms of the number of loan originations and principal value disbursed. Major commercial banks focusing on asset financing hold between 15% and 30% of their total loan portfolio in this product market.

14. The PAYGO asset financing market in Kenya has a large number of players including Solar Panda, D.Light, Greenlight Planet, Aspira, Bboxx, Azuri, Biolite, Daima Energy, Delta Energy Systems Ltd, Kensen, Mobisol, PowerGen, Solargen, Sunking, Suntech, ZilanSolar, Thrivesolar, Ofgen, Strauss Energy, and ORB Energy.

15. From the foregoing, it can be inferred that the target faces significant competition in the relevant market. Further, given that there are no overlaps between the activities of the acquirers and those of the target, post-merger, the market structure and concentration are unlikely to change. **Therefore, it is the Authority's view that the proposed transaction is unlikely to lead to a substantial lessening of competition in the relevant market.**

16. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;

    i. extent to which a proposed merger would impact employment opportunities;
    ii. impact on competitiveness of small and medium enterprises (SMEs);
    iii. impact on particular industries/sectors; and
    iv. impact on the ability of national industries to compete in international markets.

17. With regard to public interest concerns, the transaction is unlikely to lead to any negative public interest issues. Specifically, on employment, the parties indicated that the proposed transaction will not result in loss of employment.

18. Based on the foregoing, the Competition Authority of Kenya approved the recapitalization of M-KOPA Holdings Limited share capital unconditionally.