AAR wins new capital as it eyes listing on NSE

DEALS Dutch firm, Investment Fund for Health in Africa, buys 20 per cent stake in the company for Sh750 million

BY MOSES MUGIRA

Healthcare provider AAR Holdings is in a race to restore its operations following the entry of an investor in the form of a Dutch firm at the Nairobi Stock Exchange in five years.

The private equity company announced yesterday that Netherlands-based private equity fund Investment Fund for Health in Africa (IFPHA) has bought a 20 per cent stake in the company for Sh750 million. Group chief executive Jug Gagare said the company planned to cut down its operations and focus on core businesses of providing medical services.

The company is considering forming a subsidiary to take up its individual and group insurance business as well as the fund management units, or selling them.

AAR also plans to sell its private equity resources.

"It would be necessary to structure this company under its own management and broaden its service business as well as the fund management units, or selling them. AAR also plans to sell its private equity resources. There will be a lot of value in that," he added.

AAR has operations in Kenya, Uganda, Tanzania, and Rwanda.

"We want to have grown value of the businesses by at least five times at the time of listing," he added, while also revealing that the new investor was coming on board through an initial public offering at the stock exchange. He said the company was currently valued at about Sh75 billion. IFPHA plans to take over up to two thirds of the firm in the next two years.

"IFPHA funds are set to increase our investment in AAR," said Max Coppens, who heads the consortium of investors in the fund that includes Goldman Sachs, the African Development Bank, and the Dutch pension fund.

With the signing of the deal, the private equity fund now controls the boardroom with four out of seven seats, suggesting that they will dictate the company's strategic direction.

Rescue services

The private equity fund invests mainly in health-care providers. AAR expects to roll out more healthcare centres, while ramping up the rescue services division.

Foreign private funds have in recent years made a boomer for acquisitions in Kenya's healthcare industry as they seek to tap into the vast opportunities for profits arising from increased demand for private healthcare by individuals who have higher income levels.

Official statistics indicate that Kenyans finance up to 82 per cent of their healthcare costs from their pockets, which makes private healthcare big business.

This is against the average annual government health spend of five per cent of the national budget, well below the standard World Health Organisation recommendation set at 15 per cent minimum threshold.

The value of the healthcare industry in Kenya has risen steadily from Sh3.3 billion in 2004 to Sh5.6 billion in 2006, according to the government's Economic Survey figures.

Edward Bukasa, general manager of healthcare provision arm AAR Kenya, estimates that the annual premium collection for healthcare cover is more than Sh30 billion in a market where insurances such as Jubilee, CBA, and UAP are among the top players.

Industry players have estimated that medical inflation over the past five years has averaged 20 per cent, with providers citing rising costs of human resources and medicines.

Mr Gagare said the company was weaning into use of tele-medicine model to reach patients in remote areas.

Private funds

"The telemedicine model we are now adopting will enable us to provide quality healthcare to patients even in small, out-of-town hospitals," he said, explaining that patients could be examined remotely and their margins taken on for testing at a central location.

Health sector players say private funds' interest in private hospitals has more than tripled in the past two years and is expected to hit about Sh50 billion by year-end.

In 2004, TELKOM KENYA Fund BV bought a significant stake in Meridian Medical Clinics for an undisclosed sum.

That move was followed last year by Aurora Capital Group into the Nairobi Women's Hospital for Sh100 million. Aurora Fund, another private equity firm, has also bought a stake in a Stanbic eye hospital and a home medical franchise, while KenGen is in talks with an unnamed PE fund for money to expand its presence in East Africa.

"The Nairobi Hospital has also confirmed that it is looking for a possible PE fund to boost its expansion plan".
Dutch firm buys 20pc stake in AAR Health

BY PATRICK GITHINJI

A Dutch-based investment consortium, Investment Fund for Health in Africa (IFHA), has acquired a 20 per cent stake at AAR Health, at a cost of Sh750 million.

"IFHA will initially be taking up a 20 per cent equity stake, with an option of acquiring a further 46 per cent stake in the future, to reach a 66 per cent stake," AAR Holding Group Chairman, Dr Frank Njenga said.

He said negotiations to determine the value of the remaining 46 per cent are still going on.

According to the group Chief Executive Jagi Gakunju, the company was looking for a strategic partner for in order to realise its objectives.

Through the acquisition, AAR will get a robust IT systems from IFHA to support its operations across the region.

Part of the investments will be injected into the business, through creation and development of a low-income insurance scheme, without disclosing how much money would be paid to the specific shareholders.

Gakunju also said that the investments by the IFHA would eventually culminate in the listing of the company at the Nairobi Stock exchange.

Recently, AAR ventured into the West African market after partnering with Ghana’s leading medical insurance firm, Med-X.

"IFHA might acquire a further 46pc of the firm."
AAR Chairman Dr Frank Njenga (left) talks to Mr Max Coppuoise, the managing director of Investment Fund For Health Africa, at Hotel Intercontinental in Nairobi yesterday during a press briefing.

**AAR sells 20p.c. stake**

**BY JUSTUS ONDARI**
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AAR, the local private healthcare insurance company, has sold 20 per cent stake to a strategic partner for Sh750 million.

The Dutch private equity fund, Investment Fund for Health in Africa (IFHA), said it would increase the stake to 66 per cent in the next two years. “We will slowly grow up our shareholding to 50 per cent or 60 per cent, if we are allowed,” IFHA managing director Max Coppuoise said at Hotel Intercontinental yesterday.

IFHA, also registered in Mauritius, invests in healthcare and medical services in Africa. The consortium includes the Dutch pension fund, ABP, African Development Bank, FMO of Netherlands, International Finance Corporation, Goldman Sachs, Pfizer and Social Investor Foundation for Africa, comprising multinationals like Unilever, Shell and Heineken.

**Listing at the NSE**

AAR Holdings Group chairman Dr Frank Njenga said they brought on board new partners to expand their business portfolio and list at the Nairobi Stock Exchange in the next five years. AAR, which has members in Kenya, Uganda, Tanzania, Rwanda, Burundi, Southern Sudan and Somalia, ventured into West Africa by partnering with a Ghanaian medical insurance firm, Med-X.

It is implementing a low-income health insurance project in Kapsabet in the Rift Valley in partnership with PharmAccess Foundation, an IFHA partner partially sponsored by the Dutch government.

PharmAccess, which is also engaging in similar projects in Tanzania and Nigeria, is involved in the development of health insurance schemes for low-income communities.
AAR embraces new partner

BY JAMES MBUGUA

MEDICAL Insurance provider, AAR East Africa will today take on a new shareholder Investment Fund for Health of Netherlands in a share buying agreement.

The deal will see the Dutch company inject Sh750million into AAR in return for an equity stake in the same.

Since last year, AAR has expressed desire become a fully-fledged insurance company and had embarked on a fund raising mission to raise its capitalization from Sh50million to Sh300 million.

AAR which is made up of 12 shareholders with a third of them being Kenyan, had opted to issue rights to raise Sh250 million.

But the exercise fell victim to harsh market conditions characterized by investor apathy.

Group CEO, Jagi Gakunju said then that if AAR was not able to raise the money through its shareholders; it would be forced to seek a strategic partner.

AAR Holdings limited would announce the coming on board of new strategic investors from Netherlands known as Investment Fund for Health in Africa (IFHA) who are injecting Ksh. 750 million capital into AAR in return for a percentage in the company’s shareholding structure, AAR said in a press statement.

AAR plans Nairobi Stock Exchange listing in five years

BY JAMES MBUGUA

HEALTH Care provider AAR East Africa will list the Nairobi Stock Exchange in the next five years, management said yesterday.

The listing will be done after the business is 60 per cent acquired by a Dutch private equity fund over the next two years.

AAR which currently values itself at Sh3billion said this when it announced that a Dutch private equity fund had acquired a 20 per cent stake in it with an injection of Sh750 million.

Investment Fund for Health in Africa (IFHA) will pump over Sh1.5billion by current valuation to acquire 60 per cent of AAR over the next two years.

The funds will be used for expansion of AAR within East Africa and across Africa.

After five years, IFHA will exit from AAR by way of an initial public offering of shares on the NSE.

“We expect in the next five years or so we are going to be listed on the stock exchange,” Steve Maina, the group strategy director said during a press briefing yesterday.

AAR chief executive Jagi Gakunju said AAR will in the meantime streamline its businesses and might hive off those that are not core to health such as insurance.

At the same time, AAR will seek to graduate from health dispensaries to hospitals where it can provide the treatment in a bid to cut costs. It will also enter into pharmaceuticals.