



Advancing financial access for the world's poor

CGAP Private Transactions Benchmark

**Shedding Light on Microfinance Equity Valuation:
Past and Present**

CGAP Private Transactions Benchmark

Introduction

Data on private equity transactions were collected by CGAP in a strictly confidential survey conducted in summer 2008. Four development finance institutions (DFIs), 13 microfinance investment vehicles (MIVs), and 14 MFIs provided data on their transactions from 2005 to September 2008.

The sample consists of 144 equity transactions, with 60 MFIs in 36 different countries. This is the most comprehensive dataset on private equity placements in microfinance to date. We estimate that it represents close to 50% of primary transactions and 70% of secondary transactions over the 2005–2008 period.

CGAP followed strict procedures to ensure full confidentiality of the data reported. This includes confidentiality agreements with all survey participants and restricted access policies to the database. Only four CGAP staff, authorized by CGAP's CEO, had access to the underlying data.

CGAP was responsible for quality control of the data and preliminary analysis. Only aggregated benchmarks based on at least five data points were shared with J.P. Morgan.

These aggregated data are available on CGAP's Web site, at www.cgap.org. J.P. Morgan had no access to the underlying database.

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Part I: Historical Multiples

Table 22. Transaction Size

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<\$500k	8.3	6.7	1.8	1.4	64
\$500k–\$1m	9.3	7.4	1.5	1.4	29
\$1m–\$2m	9.3	5.2	1.6	1.3	29
>\$2m	14.0	12.2	3.5	2.5	21

Source: CGAP.

Table 23. Market Capitalization

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<\$5m	8.9	6.2	1.7	1.5	61
\$5m–\$10m	11.1	9.1	1.5	1.3	28
\$10m–\$20m	7.4	6.9	1.6	1.3	31
>\$20m	11.6	9.7	3.6	2.3	23

Source: CGAP.

Table 24. Buyer Type

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
MIV	9.2	7.2	1.9	1.3	71
IFI	14.3	8.6	2.4	1.8	36
Other	7.8	7.4	1.8	1.5	28

Source: CGAP.

Table 25. Scale: Number of Borrowers

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
Small	10.9	8.2	1.6	1.3	31
Medium	11.5	7.8	1.8	1.4	27
Large	8.0	7.3	2.3	1.5	66

Source: CGAP.

Small=<10,000 borrowers, medium=10,000–30,000 borrowers, large=>30,000 borrowers.

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Table 26. Age of the MFI

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
New	14.7	13.0	1.9	1.7	38
Young	8.7	8.1	2.6	1.5	36
Mature	7.1	5.8	1.6	1.2	51

Source: CGAP.

New=0–6 years, young=6–10 years, mature=>10 years

Table 27. Legal Status

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
Bank	10.6	9.3	1.8	1.4	59
Non-Bank FI	8.8	6.4	2.1	1.4	81

Source: CGAP.

Table 28. Efficiency

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<10%	6.6	6.8	5.8	5.1	6
10%–20%	8.6	7.3	1.8	1.4	76
20%–30%	8.9	9.3	1.4	1.1	10
>30%	13.1	11.3	2.0	1.5	22

Source: CGAP. Operating Expense / Period Average Gross Loan Portfolio.

Table 29. Asset Quality: PAR 30

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<1%	9.9	8.3	2.5	1.7	51
1%–3%	7.0	6.8	1.4	1.2	41
>3%	10.9	7.5	1.9	1.4	29

Source: CGAP.

Outstanding balance of loans (principal and interests) with at least one payment > 30 days overdue / Gross Loan Portfolio.

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Table 30. Financial Intermediation: Savings to Total Assets

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
Non FI	8.3	6.5	2.5	1.3	36
Low FI	9.5	6.0	1.9	1.6	35
High FI	10	8.2	1.7	1.4	52

Source: CGAP.

Non FI = Voluntary Savings / Total Assets=0, medium FI = Voluntary Savings / Total Assets > 0 and <20%, high FI=Voluntary Savings / Total Assets>20%.

Table 31. Leverage: Debt to Equity

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<3	13.3	11.1	1.9	1.6	30
3 to 6	9.8	7.9	1.7	1.3	45
>6	7.2	6.6	2.3	1.4	49

Source: CGAP.

Total Liabilities / Total Equity.

Table 32. Outreach: Average Loan Balance

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<50%	8.6	6.6	2.7	1.5	37
50%–150%	9.3	7.9	1.8	1.6	40
>150%	10.1	7.8	1.6	1.3	45

Source: CGAP.

Average Loan Balance per Borrower / GNI per capita (Gross National Income).

Table 33. Outreach: Average Savings Balance

	Historical P/E		Historical P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<50%	12.6	6.6	2.5e	1.8e	22
50%–100%	8.9	8.9	1.6	1.4	37
>100%	8.6	7.4	1.5	1.3	25

Source: CGAP.

Average Savings Balance per Borrower / GNI per capita (Gross National Income).

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Part II: Forward Multiples

Table 23: Transaction Size

	Expected P/E		Expected P/B		Sample
	<u>Unweighted Average</u>	Median	<u>Unweighted Average</u>	Median	
<\$500k	5.8	5.2	1.0	0.9	64
\$500k-\$1m	5.7	4.7	1.2	0.9	29
\$1m-\$2m	6.3	5.0	1.1	1.0	29
>\$2m	11.5	8.5	1.9	1.7	20

Source: CGAP.

Table 25: Buyer Type

	Expected P/E		Expected P/B		Sample
	<u>Unweighted Average</u>	Median	<u>Unweighted Average</u>	Median	
MIV	7.0	5.4	1.1	0.9	71
IFI	6.4	6.5	1.6	1.1	36
Other	6.1	6.0	1.0	1.0	28

Source: CGAP.

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	<u>Unweighted Average</u>	Median	<u>Unweighted Average</u>	Median	
New	10.4	9.0	1.3	1.1	38
Young	6.2	5.9	1.2	1.0	36
Mature	5.4	4.7	1.1	0.9	51

Source: CGAP. New=0-6 years, young=6-10 years, mature=>10 years

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Table 24: Market Capitalization

	Expected P/E		Expected P/B		Sample
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\$5m-\$10m	9.2	7.3	1.0	0.9	28
\$10m-\$20m	5.3	5.0	1.1	1.0	31
>\$20m	8.7	7.9	1.8	1.5	23

Source: CGAP.

Table 26: Scale – Number of Borrowers

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Medium	7.4	5.3	1.0	0.9	27
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Table 27: Legal Status

	Expected P/E		Expected P/B		Sample
	<u>Unweighted Average</u>	Median	<u>Unweighted Average</u>	Median	
Bank	6.4	6.5	1.1	1.0	59
Non-Bank FI	7.2	5.3	1.3	0.9	82

Source: CGAP.

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Table 29: Efficiency

	Expected P/E		Expected P/B		Sample
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<10%	6.6	6.7	1.9	1.6	6
10%-20%	5.9	5.6	1.1	1.0	76
20%-30%	5.2	5.3	0.8	0.8	10
>30%	11.7	10.9	1.3	0.9	22

Source: CGAP. Operating Expense / Period Average Gross Loan Portfolio.

Table 31: Financial Intermediation – Savings to Total Assets

	Expected P/E		Expected P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
Non FI	6.2	5.2	1.3	0.9	36
Low FI	8.1	5.9	1.2	1.0	35
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Source: CGAP. Non FI = Voluntary Savings / Total Assets=0, medium FI = Voluntary Savings / Total Assets > 0 and <20%, high FI=Voluntary Savings / Total Assets>20%.

Table 33: Outreach – Average Loan Balance

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50%-150%	7.5	6.9	1.1	1.1	40
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Source: CGAP. Average Loan Balance per Borrower / GNI per capita (Gross National Income).

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Table 30: Asset Quality – PaR 30

	Expected P/E		Expected P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<1%	8.0	6.9	1.3	1.1	51
1%-3%	5.9	5.2	1.0	0.9	41
>3%	6.6	5.1	1.2	0.9	29

Source: CGAP. Outstanding balance of loans (principal and interests) with at least one payment > 30 days overdue / Gross Loan Portfolio.

Table 32: Leverage – Debt to Equity

	Expected P/E		Expected P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
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3 to 6	6.7	6.2	1.1	0.9	45
>6	5.6	5.4	1.3	1.1	49

Source: CGAP. Total Liabilities / Total Equity.

Table 34: Outreach – Average Savings Balance

	Expected P/E		Expected P/B		Sample
	Unweighted Average	Median	Unweighted Average	Median	
<50%	10.8	8.8	1.3	1.1	22
50%-100%	6.3	6.6	1.1	1.0	37
>100%	5.2	4.7	1.0	0.9	25

Source: CGAP. Average Savings Balance per Borrower / GNI per capita (Gross National Income).

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Appendix III: Listing Information

We consider 10 financial institutions in the sample to be MFIs. Because the listing of two of those MFIs (African Bank and Danamon) happened before 2000, we did not look at listing information for those specific cases. Therefore, the table below includes listing information for only eight MFIs.

Table 34. Listing information for our sample

	BRI	Equity	BRAC	Comparto	Findep	IPF	Capitec	Blue
Date of Offering	31-Oct-03	8-Jul-06	11-Dec-06	20-Apr-07	31-Oct-07	13-Jul-07	18-Feb-02	13-Oct-06
Total Shares O/S (mn)	11,765	91	12	428	680	257	83	485
Offering No. of Shares (mn)	489	91	5	128	118	257	67	320
Offer Price (LC)	933.1	67.7	172.6	40	24	1.7	NA	1
Primary Offering (US\$)	191	0	13	0	103	0	0	0
Secondary Offering (US\$)	298	87	0	474	167	773	42	40
Total Offering (US\$ mn)	489	87	13	474	270	773	42	40
Listing	JSE	NSE	DSE	Bolsa	Bolsa	LSE	JSE	JSE
Ticker	BBRI IJ	EQBNK KN	BRAC BD	COMPARTO	FINDEP*	IPF LN	CPI SJ	BFS SJ

Source: Company data, Bloomberg.

Spin-offs of IPF and Capitec are treated as secondary transactions.

Appendix III: CGAPs Private Equity Transaction Survey, Survey Participants

CGAP's private equity transaction survey was completed in summer 2008. Thirty-one organizations participated, including 4 development finance institutions (DFIs), 13 microfinance investment vehicle (MIVs), and 14 MFIs. CGAP is grateful to these organizations for their support of CGAP's public research on microfinance valuation. The survey is strictly confidential, but the following organizations have authorized CGAP to list them as survey participants.

DFIs

BIO
FMO
PROPARCO

MIVs

ACCION INTERNATIONAL
ADVANS SA
AKAM
INCOFIN
INVESTISSEUR ET PARTENAIRE POUR LE DEVELOPPEMENT (I&P)
MECENE INVESTMENT, ADVISOR OF AFRICAP
MICROVEST
OMTRIX
OPPORTUNITY INTERNATIONAL
RESPONSABILITY
SHORECAP MANAGEMENT
SIDI

Financial Institutions

BANCO DEL EXITO (BANEX)
CENTENARY BANK
COMPARTAMOS BANCO
FOUNDATION D-MIRO MISION ALIANZA-ECUADOR
UGANDA FINANCE TRUST
XACBANK