



Fairfax Financial Holdings Ltd.: India Success Bodes Well for Africa

Description

Fairfax Financial Holdings Ltd. ([TSX:FFH](#)) announced January 20 that it was selling a 25% stake in ICICI Lombard, the private general insurance joint venture it set up in 2001 with ICICI, India's second-largest bank.

Estimates for Fairfax's 25% stake (it will retain 10% of the insurer) run as high as US\$1 billion, considerably higher than the amount Fairfax originally invested back in 2001. Since then, Fairfax has increased its business interests in India, including setting up **Fairfax India Holdings Corp.** (TSX:FIH.UN) in 2014.

Fairfax India went public on January 30, 2015, at \$10 per share. In early August, with its shares barely above its IPO price 18 months later, I [recommended](#) that investors buy the stock given it had dropped by 17% over the summer. It's gained most of that back in the five months since and sits comfortably above \$11.

India has been a big success for Fairfax, and now the company wants to take its act to Africa.

Filing a preliminary prospectus just before Christmas, Fairfax hopes to fund Fairfax India to the tune of \$1 billion with approximately \$584 million from IPO investors, an additional \$300 million from Fairfax itself, and another \$116 million from **OMERS** and **CI Financial Corp.**

The new venture will buy the debt and/or equity of African businesses that it feels will benefit from that continent's rising economic influence in the world. Leading the charge will be CEO Michael Wilkerson, whose experience investing in Africa will benefit everyone who buys the \$10 subordinate voting shares; trading is expected to begin the week of February 6.

Fairfax already is investing in Africa with several significant ownership stakes in several businesses there, including a 7.4% interest worth \$330 million in Commercial International Bank, the largest private-sector bank in Egypt.

I've been following African companies for a while now, given my interest in **Remgro Limited**, a South African holding company controlled by Johann Rupert, the same person who controls Switzerland's **Compagnie Financiere Richemont SA**

, which owns luxury brands such as Cartier and Montblanc.

While Remgro has interests in many different businesses, including a 28.2% effective interest in **RMB Holdings**, which in turn owns 34.1% of **FirstRand**, one of South Africa's most prestigious banks, it is the 30.9% interest in **Distell Group**, South Africa's leading producer of spirits and wines, that really captures my imagination. With brands such as Two Oceans wine and Black Bottle blended whiskey, Distell is growing beyond its domestic market.

Hopefully, Mr. Wilkerson will take a similar shine to Remgro as I have done.

There are so many reasons it makes sense for Fairfax to invest in Africa, not the least of which is the fact the continent has the youngest and the fastest-growing population in the world, which is expected to account for more than 50% of the world's overall population by the year 2050.

I expect Africa will continue to shine on the global stage in the next 10-20 years, and Fairfax Africa's IPO gives you a chance to get in on the ground floor. I don't usually like IPOs, and some people really don't like this one because of its dual-class share structure, but as IPOs go, this is truly different.

If you liked Fairfax India, you'll really like Fairfax Africa.

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2. TSX:FFH (Fairfax Financial Holdings Limited)

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