

Eastern Africa Newsletter – July 2013

PART I: KEY MARKET INDICATORS

Key Africa Equity Indices Performance

Equity Index	02/01/2013	01/06/2013	30/06/2013	% Ch. m/m	% Ch. YTD
NSE 20	4,140.43	5,006.96	4,598.16	-8.2%	11.1%
FTSE NSE Kenya 15 Index	126.46	166.87	149.68	-10.3%	18.4%
FTSE NSE Kenya 25 Index	129.24	171.19	154.12	-10.0%	19.3%
DSEI (TZ)	1,486.86	1,695.83	1,840.11	8.5%	23.8%
UGSINDX	1,226.27	1,676.44	1,481.38	-11.6%	20.8%
NGSE All Share	28,501.21	37,794.75	36,164.31	-4.3%	26.9%
EGX 30	5,634.55	5,438.77	4,752.22	-12.6%	-15.7%
JALSH (SA)	40,061.75	42,016.45	39,578.10	-5.8%	-1.2%
S&P 500	1,462.42	1,630.74	1,606.28	-1.5%	9.8%
FTSE 100	6,027.37	6,583.09	6,215.47	-5.6%	3.1%

Key Global Currency Performance

Currency	02/01/2013	01/06/2013	30/06/2013	% Ch. m/m	% Ch. YTD
KES / USD	86.25	85.20	85.55	-0.4%	0.8%
TZS / USD	1,588.30	1,631.48	1,627.00	0.3%	-2.4%
UGX / USD	2,704.97	2,592.96	2,590.00	0.1%	4.4%
ETB / USD	18.28	18.67	18.74	-0.4%	-2.4%
ZAR / USD	8.50	10.07	9.88	1.9%	-14.0%
NGN / USD	156.70	158.20	162.10	-2.4%	-3.3%
EGP / USD	6.39	6.99	7.02	-0.5%	-9.0%
USD / GBP	1.63	1.52	1.52	-0.2%	6.8%
EUR / USD	0.76	0.77	0.77	-0.2%	1.4%

Key Global Commodity Performance

Commodity	02/01/2013	01/06/2013	30/06/2013	% Ch. m/m	% Ch. YTD
Gold	1,681.50	1,410.25	1,203.25	-14.7%	-28.4%
Oil	93.14	91.93	96.36	4.8%	3.5%
Silver	3,087.00	2,257.00	1,886.00	-16.4%	-38.9%
Copper	8,084.75	7,280.75	6,731.00	-7.6%	-16.7%

KEY EVENTS

- ❑ SA wine producer to set up plant in Kenya
- ❑ PineBridge to expand private equity operations in EAC
- ❑ UK oil firm opens Nairobi office to tap regional deals
- ❑ Treasury to issue Kenya's first Eurobond in September
- ❑ Best Western opens KES 1bn Nairobi hotel

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A positive investment climate continues to prevail in Eastern Africa as deals continue to be done, further hard currency is invested into natural resources exploration in the region and regional governments look to raise Eurobonds to finance infrastructure development. The new GEMS market in Kenya is poised for lift off later this year and into next year as we are seeing a number of new issuers carefully preparing their listings. The market is well placed as a lower cost alternative to achieving the benefits of becoming a public company. It is also a chance to start afresh with strong growth companies coming to market at a fair value and promoting the capital markets in general as well as providing exit options to earlier stage investors.

In natural resources O&G exploration firm Delonex Energy announced the opening of a regional office in Nairobi and Camac announced that it will be spending c. \$40m on exploration at its 4 blocks in the Lamu basin, Kenya. The Kenyan government will this month be gazetting a further 7 oil blocks to take the total to 53. In mining Tigray Resources is making a c. \$2.5m private placing to finance its mineral exploration in Tigray, Ethiopia and Nyota Minerals announced exploration success at its gold prospects in Ethiopia. We are also pleased to see the new mining ministry in Kenya seemingly communicating clearly with investors and travelling overseas to show its support for expansion of the sector. Not only will this promote FDI but also increased business and employment for local firms and so clearly is very helpful to all parties.

In PE we saw 5 investment deals in the agribusiness, transportation, construction and financial services sectors. In M&A we saw 1 deal in the insurance sector. We also note that the Kenya competition authority is moving reasonably quickly to process M&A deals in-country. We fear that the structure and processes of the COMESA Competition Authority is not so progressive so far however, for deals that span the region, with high fee burdens and application to PE firms taking equity stakes - which logically does not change the competitive structure of an industry in itself. We hope that with input from the advisory community and governments this can settle in due course.

In the listed equities markets, the month of June witnessed the NSE 20 index moving lower by 8.2% to close at the 4,598 points mark (-8.6% off year high). This came after the Fed indicated possible tapering off of bond purchases with the improving job market in the U.S. Foreign investors remained dominant contributing about 66.3% of total market participation on the buy-side and 46.2% on the sell-side. Consequently, net foreign inflows stood at USD 30.6m (previous month USD 41.1m) with Safaricom being the most purchased stock (USD 14.1m) and Kenya Power the most sold (-USD 0.3m) by foreign investors. Total equity market turnover recorded stood at USD 152.3m for the month with Safaricom again being the top mover (USD 38.6m). Kenya also reported a GDP growth of 5.2% in 1Q 2013. The Central Bank of Kenya retained the CBR at 8.5%.

Edward Burbidge CFA
Managing Director

OTHER KEY MARKET INDICATORS

Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	8.50 %	8.50 %
Bank of Uganda (Uganda)	11.00 %	11.00 %
Bank of Tanzania (Tanzania)	7.58 %	7.58 %
South African Reserve Bank (RSA)	5.00 %	5.00 %
Central Bank of Nigeria (Nigeria)	12.00 %	12.00 %
Central Bank of Egypt (Egypt)	9.75 %	9.75 %
Bank of England (UK)	0.50 %	0.50 %
Federal Reserve Bank (USA)	0 % - 0.25 %	0 % - 0.25 %
European Central Bank (EU)	0.50 %	0.50 %

Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected GDP Growth	
	2013	2014	2013	2014
Kenya	7.0%	5.0%	5.9%	6.2%
Uganda	5.0%	5.0%	4.8%	6.2%
Tanzania	7.0%	5.0%	7.0%	7.2%
Rwanda	6.0%	5.5%	7.6%	7.2%
Burundi	9.0%	5.9%	4.5%	5.1%
Ethiopia	10.8%	9.0%	6.5%	6.5%

Source: IMF, World Economic Outlook Database, April 2013

Date	Buyer	Seller	Investment size	Synopsis
7th June 2013	UAP Group	Century Insurance Company		UAP Group has acquired a 60 per cent stake in Tanzania's Century Insurance Company, marking its entry into the neighbouring country's market. The company made the acquisition through its wholly owned subsidiary, UAP Africa. The Tanzanian firm will change its name to UAP Century Insurance Company Limited. UAP managing director Dominic Kiarie said there was opportunity for growth of the insurance and financial services sectors in Tanzania, as the country moves towards achieving middle income status by the year 2020. UAP Century Insurance will provide general insurance services, including marine and aviation insurance. The group will in future consider the possibility of introducing its full financial services offering in the Tanzania market.
13th June 2013	Agri Vie	Vida Oils International	USD 4 million	Agribusiness private equity fund Agri Vie will invest USD4m in a joint venture with Vida Oils International for the merger and acquisition of three separate entities in South Africa and Mozambique. The joint venture will also focus on linking less developed African markets, especially small-scale growers, to Asian supply chains. In addition to a socially and environmentally sustainable supplier engagement, emphasis will be placed on upgrading Vida Oil's operation to ISO and FSSC 22000 specifications.
17th June 2013	GroFin	Wargen Enterprises & Centaurus	KES 193 million	GroFin has invested nearly KES 200 million in two mid-sized enterprises involved in public transport, shining light on the sector which, though profitable, has been dogged by the high risk of accidents. The equity fund has invested KES 193 million in, among others, Wargen and Centaurus, which are involved in the transport business. It targets to invest an additional KES 125 million in transportation companies by the end of 2014. The firm said that Kenya's strategic position as the region's gateway makes the transport sector an attractive investment option. Wargen Enterprises, a fuel haulage company, will use the money to shore up its capital, a requirement by a key multinational client. Centaurus, an importer and seller of prime movers from Europe, will use the capital injection to boost imports of tipper trucks and LPG Gas tankers.
17th June 2013	TLG Capital	NMB Bank	USD 10 million	TLG Capital has sealed a deal to invest USD10 million into Zimbabwe-based financial services provider NMB Bank. TLG Capital joins Africinvest, FMO and Norfund, who invested in the bank in early 2013. African Century and Old Mutual have also previously invested in NMB Bank. The bank is currently 45% owned by investors, while the rest is held by NMB Holdings. TLG's financing will bolster the bank's infrastructure development plans. The investor will also provide technical assistance to the bank. TLG backed the company on the back of Zimbabwe's recent political stabilization and strong macro fundamentals, which it believes makes the country an attractive investment destination with great upside potential. Headquartered in Harare, NMB Bank provides retail and commercial bank services, primarily targeting corporate and high net-worth individuals. The bank offers a range of corporate finance & advisory banking services. NMB bank was established in October 1992 and currently has 10 branches across the country.

Date	Buyer	Seller	Investment size	Synopsis
20th June 2013		Fusion Group	KES 1.25 billion	Fusion Group, a fund management and private equity company, is set to build a KES 1.25 billion office complex in Nairobi's Upper Hill area. It is the firm's second such project in the area in the past seven months. The latest announcement comes after November last year's Fusion-led consortium, which invested USD 16.5 million (KES 1.4 billion) in an office block dubbed Upward Scale Developments on Ngong Avenue, Upper Hill, which is projected to be completed in 2014. The firm says that the project's location in Upper Hill's diplomatic belt is its main selling point. The influx of multinational corporations in the oil, minerals sectors and others setting up shop in Nairobi or locating regional headquarters has created demand for high quality office space that would match the standards that international employees are used to in home countries.
21st June 2013		Tigray Resources Inc.	USD 2,421,000	Tigray Resources Inc. announced that it has closed a private placement financing of 16,140,000 Units at a price of USD 0.15 per Unit, for gross proceeds of USD 2,421,000. Each Unit comprises one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant allows the holder to purchase one common share of the Company at an exercise price of USD 0.20 for a period of two years from the date of closing. Proceeds from the offering will be used for exploration on the Company's Harvest and Adyabo properties in Ethiopia, as well as for working capital purposes. The Company has an option to earn an 80% interest in the Adyabo property covering 467 square kilometres immediately west of the Harvest project.
26th June 2013	Pearl Capital Partners (PCP)	Freshco Kenya Limited	KES 51.6 million	Pearl Capital Partners (PCP), a firm that manages investment funds, has invested KES 51.6 million in Freshco Kenya Limited, a seed distributor. PCP said in a statement that it is investing the money through a quasi-equity loan, which also comes with an element of profit-sharing. Freshco will use the money to expand its primary business of contracting farmers to grow seeds, which are then processed, packed and marketed. Freshco sells maize, vegetables, drought-resistant crops and tree seeds. The money will be invested from the African Seed Investment Fund (ASIF), which has USD 20 million in commitments from the Alliance for a Green Revolution in Africa. PCP also announced a USD 300,000 (KES 25.8 million) convertible loan to Forestry and Agricultural Investment Management Africa (FAIM) Limited, a Rwandese firm that grows seedlings for crops and trees.

SA wine producer to set up plant in Kenya

South African winemaker Orange River Cellars has made a return to the Kenyan market and promised to set up a local production plant based on how their products will perform in the region. Company officials said they are currently doing market awareness for their products, but confirmed they will be targeting locations outside the city centre for their new plant mostly in Kitui and Kibwezi where the value for land is relatively low.

The new development is set to stir competition in a rapidly growing sector in the region that touches on major players in Kenya, Tanzania and Uganda. In Kenya, wine is mostly produced in Naivasha and in Yatta Plateau, with key producers being Rift Valley Winery, Kenya Wines Agency, Leleshwa Wines and Yatta Wines respectively. The re-entry of the South African firm since its exit in 2007 is to make a footprint in the east African region and use Kenya as its entry point where it has appointed Chareth Agencies as their sole distributor of their drinks in Kenya, Uganda, Rwanda, Burundi, Tanzania and South Sudan.

Orange River was established in 1965 and is one of the biggest maker of wines in South Africa. Kooss Visser who is the General Manager in-charge of marketing at Orange River Cellars, said that the company has formalised their distributorship deal with Chareth General Agencies. The distributorship deal is part of their East African expansion plan. Chareth Agency was registered in 2008 and is owned by businessman Mr. Henry Kuria. The firm will be responsible for distributing strictly Orange River wines. Already Orange River has signed an agreement with local supermarket chains to enhance their distribution chain.

(Source: Business Daily 07 June 2013)

PineBridge to expand private equity operations in EAC

East Africa-based private equity firms are likely to receive more capital inflows after PineBridge Private Funds Group announced it would expand its operations in the region. In Africa, the company's private equity arm, PineBridge Investments, mainly operates in South Africa, its sub-Saharan headquarters. PineBridge Investments also has a presence in Nairobi and Kampala. The development means that its Nairobi office, which has been handling funds management, will get more business for the private equity arm. David Jiang, the chief executive officer of PineBridge Investments, said the company was seeking partnerships with other EAC-focused private equity companies.

Studies have shown that the growing economies of East Africa and sub-Saharan Africa in general are attracting new foreign fund managers, even from countries like the United States, which have traditionally overlooked Africa's financial markets. In Kenya, PineBridge is the highest private pension manager, managing USD 1.37 billion of pension assets. The fund also participates in the secondary market, where investors purchase securities or assets from other investors, rather than from issuing companies themselves. PineBridge said it would use its Islamic finance expertise from its operations in the Middle East to invest in assets that require compliance with the tenets of Islam.

Africa has increasingly become a favoured destination for private equity funds after companies realized that the industry offers higher returns than previously thought. An earlier report released jointly by the African Venture Capital Association (AVCA) and a United States-based consultancy Cambridge Associates found that African funds returned 11.2 per cent for the 10 years up to the end of September 2012. The average return for funds in emerging markets was slightly above at 11.8 per cent. Another report released jointly by AVCA and Ernst & Young found that 62 African exits by private equity firms between 2007 and 2012 generated almost double the returns of the Johannesburg Stock Exchange's Africa All Share Index.

(Source: The EastAfrica 17 June 2013)

UK oil firm opens Nairobi office to tap regional deals

London-based oil and gas exploration and production company, Delonex Energy, has opened a regional office in Nairobi to tap into the mineral boom in Eastern and Central Africa. The company has allocated an investment budget of USD600 million (KES 51 billion) to spend on on-shore and shallow coastal water exploration in the region. It has set its eyes on Kenya, Uganda, Tanzania, Ethiopia, Chad, South Sudan and Mozambique. Delonex Energy is eyeing farm-in deals with companies that are already involved in exploration in the region, as well as direct contracts from host governments. The global private equity (PE) firm, Warburg, is providing financial backing for the exploration plans. The New York-based Warburg has an asset base of about USD30 billion (KES 2.5 trillion).

Delonex, which also has offices in India, joins many international companies investing in exploration of oil and gas in East Africa. Oil discovery in the region has made it a magnet for companies involved in exploration and production.

(Source: Business Daily 18 June 2013)

Treasury to issue Kenya's first Eurobond in September

The Treasury is targeting to issue Kenya's first Eurobond by the end of September in a bid to plug the huge funding gap in its KES 1.64 trillion national Budget. The money is expected to finance infrastructure projects such as the Lamu transport corridor, which includes new railways and roads, the Economic secretary Geoffrey Mwangi said on Wednesday. The international bond issue will be at least KES 85 billion (USD 1 billion), but Mr. Mwangi hinted at a press conference last week that it could be as high as KES 220 billion. Mr. Mwangi added that they are going to issue the sovereign bond by the end of the first quarter of the coming financial year and that the funds will go into infrastructure development.

Rwanda, a much smaller economy than Kenya, recently raised KES 34 billion (USD 400 million) through a Eurobond. Investors priced Rwanda's Eurobond at 6.875 per cent. The sub-Saharan Africa head for credit rating agency Standard & Poor's, Konrad Reuss, said in a recent interview that Kenya could issue the sovereign bond at a lower cost than Rwanda's paper. Kenya has a lower reliance on donors and higher credit rating (BB) than Rwanda's (B). A Kenyan bond would also have the advantage of being included in the JP Morgan bond global indices since it would surpass the USD 500 million eligibility threshold, unlike Rwanda's. That would expose the issue to global investors, thereby providing more liquidity in the secondary market.

(Source: Business Daily 20 June 2013)

Best Western opens KES 1bn Nairobi hotel

US-based hotel chain Best Western has opened shop in Kenya to capture the growing luxury and business travel business. The hotel, which is located in Nairobi's Kilimani, will increase bed capacity in the city that has recently seen multi-billion-shilling investments from new entrants and existing facilities. Best Western Premier has added 96 new rooms in the market joining other investors who have moved to address the demand for accommodation in the city. Best Western will manage the 96-roomed property on behalf of Kamcan Properties Limited, a Kenyan company by two families—which bought land that previously housed Kwality Hotel to establish the multi-billion shilling facility.

The hotel is said to have cost KES 1.07 billion (USD 12.5 million). It joins other global chains like Radisson, Thai-based DusitD2 and Easy Hotels planning to set up in Kenya in the next two years. Villa Rosa Kempinski, the 200-roomed multi-billion-shilling property is expected to open its doors in August. Nairobi had a bed capacity of about 10,000, according to the data released early last year. Kenya Association of Hotel Keepers and Caterers chief executive Mike Macharia said Nairobi can accommodate another 15,000 to 20,000 beds.

(Source: Business Daily 24 June 2013)

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
Eastern Africa Oil & Gas Seminar	22-23 August	Southern Sun Mayfair Hotel, Nairobi, Kenya	The Seminar seeks to demystify the sector as well as equipping the audience with a solid base of information upon which informed investment and product development models can be crafted, entry and penetration strategies be forged as well as availing a critical pool of awareness that is vital in developing risk assessment and mitigation approaches while investing with the industry at large.
Africa Property Investment Summit	3-4 September	Sandton Sun Hotel Johannesburg, SA	This summit presents a professional platform for learning about African real estate investment and development. This is a unique opportunity to discuss current trends, share industry experiences and enjoy insightful debate.
The Africa Hotel Investment Forum (AHIF) 2013	24-25 September	InterContinental Hotel Nairobi, Kenya	International hotel chains and other sector investors are expected in Kenya for the Africa Hotel Investment Forum in September as they focus on Africa for growth opportunities. The annual forum, in its third year, will be held in Nairobi for the second year running and is expected to bring together investors in the tourism sector that are moving to tap into the growing industry in Africa. The two day event will start on September 25. The Kenya Tourist Development Corporation sponsored event, and organised by Bench Events of the UK, is expected to bring together institutional investors, financiers, international hotel owners and management companies as well as other tourism players.
Mining Business and Investment Conference 2013	26 September	Laico Regency Hotel, Nairobi, Kenya	The Mining Business and Investment (MBI) has attracted more than 2000 delegates and over 300 companies from all around the world. MBI East Africa now includes the entire eastern African region, with South Sudan, Eritrea, Ethiopia, Djibouti and Sudan as well as Uganda and Kenya. The strategic conference, led by the Ministry and experts from the mining industry, will unite investors and industry experts to share their knowledge and explore current challenges and investment opportunities in the region.
East Africa Oil and Gas Summit	8–10 October	Marriott London Grosvenor Square London, UK	CWC Group hosted its first East Africa Oil & Gas Summit on 1-3 October in London. The event welcomed more than 200 senior level delegates who didn't miss the opportunity to create lively debates and to share their industry knowledge. The gathering brought together attendees from around 25 countries in Africa, Europe, Middle East, Far Asia and North America. The Summit heard from speakers representing East African Governments and National Oil Companies, major IOCs, independents, banks, and service companies delivering major announcements, essential industry updates and information.
East Africa Oil and Gas Summit (EAOGS)	29-30 October	InterContinental Hotel Nairobi, Kenya	The East Africa Oil & Gas Summit has brought together a very rich galaxy of petroleum industry players, professionals and senior officials from corporate world and business community from all over the world. EAOGS 2012 was co-hosted by the Ministry of Energy, Kenya and Global Event Partners (K) Ltd was a resounding success welcoming 326 delegates to the Summit at the Intercontinental Hotel, Nairobi in November, 2012. Over 170 regional and international companies attended with delegates coming from 29 countries. EAOGS has firmly made its mark as the most prestigious annual ministry led Oil & Gas Summit in East Africa with excellent feedback from delegates across the board and the 2013 event will build on this success.
Africa Oil Week	25-29 November	Cape Town International Convention Centre South Africa	The event is on Africa for corporate deal-making and senior-level networking across the oil/gas industry in and on Africa and designed to build the African Continent's economic future.
The African High-Growth Markets Summit	2-3 December	Addis Ababa, Ethiopia	The Economist Event's The African High-Growth Markets Summit will focus on how to prosper from the remarkable growth of a selection of African economies and subsequent enlargement of their consumer classes. It is designed for business leaders and investors looking to understand how to hurdle both the obstacles of investing in emerging African economies and of reaching the consumer, entrepreneurs and policy-makers with a stake in driving growth in Africa.
The 4th Annual SuperReturn Africa 2013	3 - 5 December	Mövenpick Ambassador Hotel, Accra, Ghana	Attendees at SuperReturn Africa come from around the world and include the region's leading fund managers and LPs including, pension funds, DFIs, insurance firms, SWFs, endowments and foundations.

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