

AFRICA'S LEADING BUSINESS & ENTREPRENEURSHIP MAGAZINE

AFRICA *Inc.*

INDUSTRY REPORT

**INVESTMENTS BY
MULTINATIONALS
IN AFRICA'S FOOD
INDUSTRY**

SPECIAL REPORT

**CARS OF THE
FUTURE -
ELECTRIC, SELF
DRIVING &
SHARED**

TRAVEL

**JINJA -
DISCOVER THE
ADVENTURE
CAPITAL OF
EAST AFRICA**

THE START-UP

**KHADIJA MOHAMMED -
KWANZA TUKULE FOODS**

COMMUNITY IMPACT

**MUSA OTIENO -
KICK-OFF TO HOPE
FOUNDATION**

INVESTMENT TRENDS

**EUGENE STALLS -
PHATISA**

++++

**COVID-19 IMPACT ON AFRICA
TRENDS IN PRIVATE EQUITY
IN AFRICA**

INSPIRATION

**JEREMY
BLOCK**

**DORMANS GROUP'S 70
YEARS OF GROWTH TO
COFFEE GIANT**

EDITORIAL

- 6** Covid-19 is a wake-up call to invest in the Africa's healthcare system

BUSINESS UPDATES

- 10** Dealstreet Africa
18 Africa Inc. News
18 Sustainability Business Africa

ARTICLES

- 74** Bill to improve customs and freight trade in Kenya
 Wycliffe Wanda - KIFWA
- 76** Emerging Trends in Private Equity in Africa
 Kenneth Barry & Preeti Nana - White & Case LLP
- 78** The Climate Opportunity in Africa
 AVCA
- 80** Global business leaders on creating female talent in business
 Geraldine Matchett, Carolyn Tastad and Martine Ferland
- 84** Why Africa urgently needs an Ubuntu plan
 Dr. Victor Oladokun
- 86** Nigeria drug imports worrying during COVID-19
 Wuraola Akande-Sholabi - University of Ibadan
- 87** Covid-19 implications for business leaders
 Prof. Ralph Hamann - University of Cape Town



32

JEREMY BLOCK - CHAIRMAN, DORMANS GROUP

70 Years of inspiring Kenya's coffee industry to global leader



38

EUGENE STALS - CHIEF INVESTMENT OFFICER OF PHATISA

Why we are focused on investing in Africa's food industry



42

MUSA OTIENO - FOUNDER KICK-OFF TO HOPE FOUNDATION

Growing Africa's next leaders through football



48

KHADIJAH MOHAMMED - KWANZA TUKULE FOUNDER & CEO

Transforming street food in Kenya's urban landscape

AFRICA Inc.

Year 1 Issue 1. No.3

WWW.AFRICA INCMAG.COM

FOUNDER & PUBLISHER
 Francis Juma

EDITORIAL
 Jacky Mbithe | Clement Muriuki

ADVERTISING & SUBSCRIPTION
 Jonah Sambai | Hellen Mucheru

CONTRIBUTORS
 Virginia Nyoro | Ronald Onsare

DESIGN & LAYOUT
 Frank Bett



FWAfrica
 INFORMING AFRICA'S BUSINESS GROWTH

FW AFRICA
 P.O Box 1874-00621, Nairobi Kenya
 Tel: +254 20 8155022, Cell: +254 725 343932
 Email: info@fwafrica.net;
 Corporate website: www.fwafrica.net

RELATED PUBLICATIONS

FOOD BUSINESS AFRICA
www.foodbusinessafrica.com

Africa Inc. is published 6 times a year by FoodWorld Media Ltd. The magazine is distributed into a number of sectors of the industry in Africa. The magazine is available through subscription for the other stakeholders in the industry, including suppliers to the sector. Postage is paid at Nairobi, Kenya. Send address changes to FoodWorld Media Ltd by phone or email.

Copyright 2020. Reproduction of the whole or any part of the contents without written permission from the editor is prohibited.

All information is published in good faith. While care is taken to prevent inaccuracies, the publishers accept no liability for any errors or omissions or for the consequences of any action taken on the basis of information published.



EUGENE STALS,
THE CHIEF
INVESTMENT
OFFICER OF
PHATISA

WHY WE ARE FOCUSED ON INVESTING IN AFRICA'S FOOD INDUSTRY

AFRICA INC. TALKED TO EUGENE STALS, THE CHIEF INVESTMENT OFFICER OF PHATISA ON THE PRIVATE EQUITY FUND FOCUSED ON THE FOOD AND HOUSING INDUSTRY IN AFRICA. THE OPPORTUNITIES IN AFRICA'S FOOD INDUSTRY VALUE CHAIN ARE INCREASING, AND EUGENE BELIEVES THAT PHATISA'S APPROACH FITS PERFECTLY IN CHANGING THE NARRATIVE IN THE CONTINENT.

Eugene, you joined the Phatisa team as Chief Investment Officer in November 2018, after almost a year back on the continent, what are your impressions on the growth of the asset class in your absence?

I think the asset class in Africa is still working towards finding its own characteristics and nuances. The exuberance of a few years ago has changed into a realisation that it is a difficult market with unique challenges requiring unique solutions. What is noticeable is the scarcity of pure commercial investors (LPs) for most fund managers (GPs). The market is driven largely by developmental and development finance institution capital at the moment, who are playing a critical role in developing and shaping the asset class in Africa.

There are still questions about whether the traditional fund model is appropriate for Africa at this stage of its development; more people are considering the merits of longer dated funds or permanent capital vehicles. However, I am very optimistic about the future of the asset class in

Africa. The emergence of extremely successful local and regional funds and the overall broadening of the talent pool and experience among African-based funds and people are amazing.

How does your philosophy meet up with Phatisa's corporate vision and goals?

Private equity in Africa, in my view, is about capacity building, growth and having a positive impact on the broader community. Do that well and follow traditional private equity disciplines and you should deliver the required returns to your investors. Similarly, at the heart of Phatisa's investment philosophy is development equity, which encompasses moving beyond traditional private equity to consider the impact we create.

Phatisa follows a blended-value approach, where financial value is considered within the broader context of creating lasting positive economic, environmental and social value. Phatisa's goals are primarily aligned with the UN Sustainable Development Goals 1 and 2: to attract capital to

INVESTMENT TRENDS

PRIVATE EQUITY IN AFRICA, IN MY VIEW, IS ABOUT CAPACITY BUILDING, GROWTH AND HAVING A POSITIVE IMPACT ON THE BROADER COMMUNITY.”

invest in emerging markets to alleviate poverty, and contribute to food security in Africa through responsible and sustainable investments. We believe that meaningful focused impact enhances returns.

Please tell us about the investment opportunities you see in Africa's food value chain.

There is both a demand and supply angle to the opportunities. According to the World Bank, the African food requirement is expected to double in the next 30 years. Demographics, including urbanisation, will drive demand for food security. On the supply side, the world's food demand is also growing and Africa has fertile (underutilised) land, abundant water in certain areas and relatively cheap labour.

There are compelling opportunities in the whole value chain: improving yields at input through seed selection, fertiliser, mechanisation and contract farming; food processing and manufacturing; food services, including logistics, cold chain and aggregation; food distribution; wholesale and specialist retail. We also believe technology is going to play a major part in the future of the food value chain in Africa.

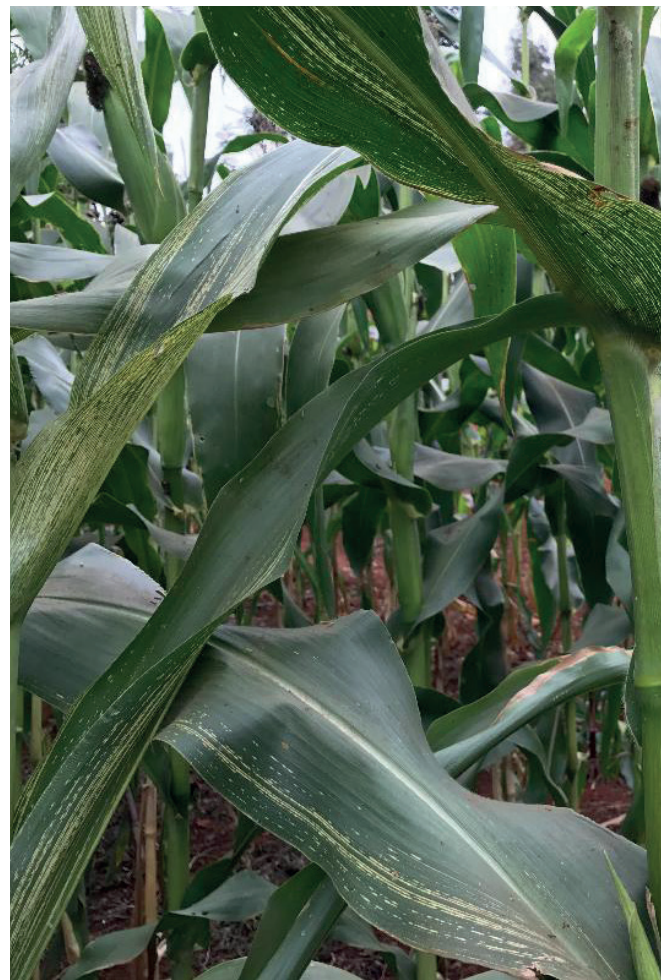
We are looking at opportunities, for example, involving organic and bio foods and drone technology. As a sector-specific fund, Phatisa has the luxury that our portfolio value-add partners are not generalists but people who have run and been operationally involved in some of the major food companies operating in Africa. Africa is big and diverse and opportunities differ from market to market. The key is to understand the dynamics, the driving forces and competitive landscape of each market. Having people who have been actively involved in operations in those countries in our team is a tremendous advantage.

In April 2019, you signed off your first exit from the African Agriculture Fund (AAF). Have you delivered more divestments since then or are you planning to exit any investments soon?

The Meridian exit you refer to was a successful investment for our LPs and proved the point that focused strategic impact initiatives lead to enhanced returns. During this period, Meridian's turnover grew at 15% CAGR; employees increased from 1,900 to 2,300; and EBITDA margin improved with operating efficiency enhancements across six business units.

In October 2019, Phatisa was awarded the prestigious Chairman's Award at the Southern African Venture Capital and Private Equity Association (SAVCA) 2019 Industry Awards for this transaction, recognising investments that have achieved exceptional financial and social returns.

This accolade speaks to Phatisa's ability to combine successful dealmaking with meaningful and sustainable impact through our investments.



Our capital, strategic oversight, ESG action plan and technical assistance facility resulted not only in healthy financial returns but delivered on Phatisa's impact objectives through job creation, improved food production, the upliftment of woman farmers and overall economic growth.

In February 2020, we announced our first investment, the delisting from the JSE of Rolfe Holdings, into our second food fund - Phatisa Food Fund 2 - which will be followed by a second investment shortly. We are also currently concluding our third exit, which will be finalised by the end of April 2020.

Phatisa was one of the first African fund managers to focus on impact generation over and above financial return. How did the AAF's Technical Assistant Facility help to achieve development impact and enhance financial returns?

Phatisa was indeed a pioneer in deploying a so-called side-car fund. We think it is a model that works very well and intend to continue the concept in Phatisa Food Fund 2. In TechnoServe, we had an extremely competent and dedicated implementing agent for AAF's (our Fund 1) Technical Assistance Facility.



IN NUMBERS

US\$ 10M
VALUE OF PHATISA'S
INVESTMENT IN COMPANIES,
UP TO US\$25 MILLION

Over 79 projects were undertaken across various AAF portfolio companies and impact was measured on an ongoing basis. For example, a TAF project for Meridian was designed to develop and market tailor-made fertilisers in Malawi by promoting soil testing. This service provides data-driven recommendations for fertiliser blends, tailored to specific soil nutrient requirements.

Up till now, smallholder farmers in Malawi have relied on standard fertiliser requirements, developed some 30 years ago, that are sub-optimal and not based on soil or crop type. The tailor-made blends are improving yields by more than 18%. Meridian

has registered and is actively supporting 13,298 smallholders (69% are women) with advice and product. This project has assisted Meridian in more than doubling its volumes over a few years and contributed to the success of the investment and enhanced returns.

Similarly, Goldtree (palm oil plantation in Sierra Leone) buys produce from over 6,300 outgrowers (small scale farmers) following a TAF project. Goldtree recently became organic, commanding a price premium for its end product and passing the price benefit on to its outgrowers. In most instances, our portfolio companies have taken over the TAF projects to fund these from company resources in the future – a true measurement that they see the financial benefits in the projects.

Tell us more about Phatisa Food Fund 2's investment strategy and your game plan.

As mentioned, we are looking at opportunities throughout the value chain: inputs, poultry and meat production, food processing, food manufacturing, food services and food distribution including wholesale and specialist retail. We are an African fund with a focus on Southern Africa, East Africa and West Africa, supplemented by our own internal country risk assessments.

We are looking for businesses with a proven concept, financial and operational track record and, importantly, an ability to scale (in country, vertically or regionally). A realistic entry multiple is paramount. It is extremely difficult to recover from over-paying. Also important is the ability to project a liquidity event in the medium term. Our investment cheque is in the range of US\$10m (initially or with further growth follow-ons) to US\$25m and we prefer control, although we are willing to work with like-minded investors in pursuing an agreed investment strategy. Above all, we invest in good management teams.

Best advice given, and the greatest lesson learnt to date?

For me, the best advice and greatest lesson learnt is the same thing: the major part of successful private equity investing is investing in excellent managers who are passionate about what they are doing.

The easy part is evaluating whether the company's commercial fundamentals are good, the difficult part is whether the management team is the right one to deliver on the investment strategy. ■

Eugene is a seasoned private equity and investment professional with deep operational experience and over 18 years in the executive, board and investment committee capacities, with a successful track record over the whole private equity value chain in Africa.

“WE ARE LOOKING AT OPPORTUNITIES THROUGHOUT THE VALUE CHAIN: INPUTS, POULTRY AND MEAT PRODUCTION, FOOD PROCESSING, FOOD MANUFACTURING, FOOD SERVICES AND FOOD DISTRIBUTION INCLUDING WHOLESALE AND SPECIALIST RETAIL”