



AGF TOP 40:

ASSET MANAGERS

Despite challenging macroeconomic environment, growth across the African continent will require continued investment

Africa offers promise of long-term growth and a payoff could await patient investors. The AGF Asset Managers Top 40 is the leading guide to the leading and strongest fund managers investing in the region. This is the guide to both traditional asset management firms and hedge funds, as well as fund of funds and fund of hedge funds managers.

Read on pp. 13-23



ANALYSIS:

AGRI FUNDS

Anna Lyudvig finds that there is a growing interest in the agri sector with funds finding opportunities across the agricultural value chain



The growing attractiveness of agricultural investment projects as profitable business ventures has played a role in the emergence and growth of agriculture-focused funds.

Read on pp. 24-27

MARKET:

ZAMBIA

Sven Richter of Drakens Capital analyzes the Zambian stock market and opportunities in the country



While the market has over 20 listed stocks it's a small market with limited liquidity and only the top handful of stocks trade enough for us to consider them.

Read on pp. 32-33

GOLDENLAY

By Stuart Bradley, Joint Managing Partner, Phatisa Group



KEY FACTS

Company: Goldenlay

Sector: Agriculture & Food

The business: Protein production through egg-laying

Location: Luanshya in the Copperbelt Province of Zambia

Activity: Production, distribution and sale of table eggs in the domestic and regional markets. The business also sells ancillary products associated with the production of table eggs, which include spent hens (hens that have ceased to be productive layers), crude soya oil for human consumption and hen pen, used as fertiliser.

Deal announcement: April 2012

Type of investment: Expansion

PE shareholding: 70%

COUNTRY FACTS

Country: Zambia

Capital: Lusaka

Population: 13.47 million

Percentage below national poverty line: 60%

GDP growth: The economy is expected to grow 3.9% in 2016, further expanding 5.1% in 2017.

Economy: Most Zambians work in agriculture, which accounts for around 20% of GDP. Zambia has the potential to significantly increase its agricultural output; currently, less than 20% of its arable land is cultivated.

"The AAF's investment into our business has been nothing short of a blessing, whilst gaining a wealth of knowledge and experience from Phatisa, helping us drive forwards in many ways through dynamic strategies. Their approachable ethic to development only goes to serve our business positively and I would like to encourage any business or entity which happens to have the privilege to work with Phatisa to grasp the opportunity with both hands. Development and progress for all is Phatisa's key to success and it evident in our business" -

**Fletcher Broad, Managing Director,
Goldenlay**



INFORMAL TRADING OF EGGS IN ZAMBIA

Phatisa's African Agriculture Fund (AAF) concluded its investment of \$24m in Goldenlay in early 2012. The Phatisa deal team structured and negotiated a leveraged management buyout transaction, which resulted in the exit of Aureos (now known as The Abraaj Group). The structure of the investment was a combination of mezzanine and equity funding.

Goldenlay is the largest producer and distributor of table eggs in northern Zambia. Goldenlay currently supplies the northern regions of Zambia and the mining hub of the DRC, Lubumbashi. The company is based in Luanshya, in the Copperbelt province of Zambia, one of the fastest-growing economic regions in the country. Goldenlay was established in 2005 by the existing management team, who developed a profitable and efficient operation and, with the assistance of five years of private equity investment, it was poised for its next stage of growth.

Eggs are the cheapest source of high-quality protein per gram, but most African countries are net importers of eggs and chickens despite the reality that for a high number of African communities, chicken is an essential part of their daily diet and chickens are kept in almost every homestead. Why the gap? It is simply a matter of demand outstripping supply. There may be many chicken farmers in Africa, but most of them are not commercial farmers, which leaves significant potential for more commercial investment in the egg-production industry.

PRIVATE EQUITY INVOLVEMENT

As a result of the AAF's investment, Phatisa provided a strategic focus to expand the company's egg-production and distribution channels to tap unserved sectors of the domestic and regional

market. In addition to the increase in the company's production capacity, Phatisa has focused the company's effort to secure its raw materials and upgrade its facilities. Through this vertical integration both up and down-stream, Goldenlay has minimised its risk to exterior market forces and continues to ensure its value-add, the supply chain of protein in the region and remaining sustainable in the long term.

A balanced blend of private equity and development finance aligns investor returns with food security, job creation, skills improvement and community upliftment, says Duncan Owen, Joint Managing Partner of Phatisa: "Development equity is the perfect place for DFIs who want to invest in a way that "generates traditional private equity financial returns and sustainably uplifts communities. Besides generating an annual return, which could be over 20% in the medium term, development equity is transformative."

THE ROLE PHATISA HAS PLAYED TO DATE

The AAF investment was used to upgrade facilities, purchase farmland to produce feed inputs and take advantage of chicken manure to improve yields of the farm, while increasing working capital. This has allowed Goldenlay to gain market share, affirming its position as the largest egg producer in Zambia.

Production facilities at Goldenlay are high-tech and comprise: three rearing houses that service nine Facco sheds, with a tenth under construction; environmentally controlled layer houses that can each house more than 60 to 70,000 layer hens; and as open-shed production units. The company currently produces close to 5 million trays of eggs per year, which amounts to a staggering 150 million eggs per year, or 411,000 eggs per day.

Since the AAF's initial investment the staff headcount at Goldenlay has increased by 184. Currently, 346 permanent staff members are employed, of which 45 are female.

The company produces its own specialised feed for each stage of the laying hens' development. Maize and soya are grown on around 4,000 hectares of farmland owned by the company. Total current areas under cultivation are 700 hectares of soya and 300 hectares of maize. These raw materials are blended into the different feeds required by the growing and laying flocks by an onsite feed mill. Furthermore, Goldenlay adds to its income stream through the sale of waste products, such as chicken manure for organic fertiliser, soya oil, and spent hens sold to the local community for meat. In a bid to formalise the sales of its waste by-products, management is currently investigating ways in which to transform chicken manure to pelletised bio-enriched fertiliser.

Phatisa and the Goldenlay management team are currently discussing further plans to expand operations and maximise value.

DEVELOPMENT IMPACT AND ESG INTEGRATION

As a result of AAF's investment into Goldenlay and Phatisa's commitment to sustainable practices, Goldenlay's management was required to investigate environmental and social best practices into its operations. Goldenlay has committed itself to becoming compliant with the International Finance Corporation's Performance Standards for poultry production as well as introducing fair labour practices as set out in the International Labour Organisa-

tion's Labour Standards.

As part of Phatisa's goal to ensure that its investments are sustainable and its portfolio companies protect the surrounding environment for future generations, Goldenlay actively monitors its emissions to ensure that the environmental impact is minimised and operations are maximised to reduce demand on country infrastructure and scarce resources.

Goldenlay was required to earmark part of AAF's investment for capital infrastructure in order to achieve its sustainability goals. This included new effluent treatment tanks to treat waste water, biosecurity borders and walk-in showers, emissions monitoring, and hiring requisite staff for human resources and environmental and social monitoring.

SUPPLY CHAIN DEVELOPMENT

In an effort to further small businesses within the community, supply chain programmes have been developed with the assistance of the AAF's Technical Assistance Facility (TAF), which is funded by the European Commission, managed by the International Fund for Agricultural Development and implemented by TechnoServe. The TAF is funding projects to increase the volume and quality of the supply of soya for chicken feed from 5,000 small-scale soya-bean farmers in the region of Goldenlay's operations in Zambia. Soya farming provides an opportunity for smallholder farmers to diversify and increase their incomes, as well as improve the nutrition of their soils. TAF is also piloting a 'bottom of the pyramid' distribution project to increase sales through bike vendors and peri-urban 'ntemba' (from the words kantemba yetu, meaning 'our corner' - a small informal neighbourhood shop) businesses, increasing the eggs available to poor consumers, creating jobs, and enhancing the revenue of the ntemba businesses.

CONCLUSION

As a result of AAF's investment into Goldenlay, the operations have expanded rapidly to increase production and introduce sustainable business practices comparable to operations found in developed countries. Due to Phatisa's involvement in strategic management, Goldenlay has incorporated policies and systems that would otherwise have been overlooked. Through the funding of improved biosecurity measures, the company has reduced the risk of disease its flock faces. Considering the company's environmental and social impact, Goldenlay has earned its social licence to operate within its surrounding community. Goldenlay's developmental impact has and continues to improve the lives of all stakeholders affected by its presence.

