

East Africa Newsletter – April 2012

PART I: MONTHLY COMMENTARY

Another busy month of regional news, in particular in the Resources, energy, infrastructure sectors.

In Kenya the biggest news came from Turkana where Tullow announced an oil discovery at its Kenya / Ethiopia exploration project. Tullow, admirably, hit with its first exploration well, but it will be some time before we know if Kenya will join Uganda and Tanzania in having commercial quantities and so the Tullow share price in London moved a somewhat anti-climactic 2.5% up on the back of the news. It is already leading to increased investment, though, in the industry in Kenya with the government announcing a further 8 offshore blocks available, bringing the total to 46 now. It was announced that Total, Statoil, Petrobras, Apache and Tullow had expressed interest in the new blocks.



In Tanzania / Mozambique the bidding process for Cove Energy seems to be back on track with some finality given from Mozambique regulators on the likely size of Cove's CGT bill. Cove's share price has increased 141% in the last year with Shell and PTT Exploration bidding so far. The deal looks to be over \$1.5bn in scale.

Not to be outdone, Rwanda announced that Canadian firm Vanoil Energy had signed a PSA for oil exploration in Lake Kivu. Geothermal and methane gas resource development is well under way in Rwanda and the country is aiming to raise \$5 billion to finance energy projects in the next 7 years alone, primarily in renewable energy including geothermal, peat and hydro. Rwanda GDP increased by an impressive 8.6% in 2011 and its investment case would likely improve further with the addition of natural resources of scale.

Overall there is a very tangible increase in interest and investment into natural resources, energy and infrastructure taking place across Eastern Africa and, as we have noted here before, there are many different ways for businesses and investors to gain exposure to this process.

We saw further improvement in the investment environment in Ethiopia with another 8 privatisation deals offered by the government, and the announced construction of a \$14 million cement factory by Qiantang Inc of China.

In Private Equity we saw deals announced in the healthcare and logistics sectors and a positive survey by Deloitte and Africa assets showed that we can expect more PE deals in East Africa in 2012 than we saw last year.

Finally, quoted equities and currencies trod water over the month in East Africa – reassuring to see the currencies showing stability but quite disappointing to see limited reflection in equity markets of the generally very strong corporate results announced for last year. For investors into the region generally it should be a positive sign to see corporate revenue and profits heavily outstripping inflation, however it may require a longer-term liquidity event (M&A, secondary buyout etc.) to trigger full value realization. This sits well with PE and longer-term investors in general, but not with short-term speculators – not necessarily a bad thing. At least some good dividend payouts were announced to keep investors from getting too impatient.

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PART II: FINANCIAL MARKET STATISTICS

Key Africa Equity Indices Performance

Equity Index	1/2/2012	3/1/2012	3/30/2012	% Performance for Month	% Performance YTD
NSE 20 KEN	3,205.02	3,312.15	3,366.89	1.7%	5.1%
DSE All Share	1,303.23	1,314.24	1,325.69	0.9%	1.7%
NSE All Share NGR	20,730.63	20,193.37	20,724.89	2.6%	-0.03%
EGX 30 Index	3,679.96	5,369.97	4,947.47	-7.9%	34.4%
S&P 500	1,257.60	1,374.09	1,408.47	2.5%	12.0%
FTSE 100	5,572.28	5,931.25	5,768.45	-2.7%	3.5%

Key Global Currency Performance

Currency	1/2/2012	3/1/2012	3/30/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	83.25	83.05	0.2%	2.5%
TZS / USD	1,582.00	1,600.00	1,593.00	0.4%	-0.7%
UGX / USD	2,480.00	2,393.00	2,520.00	-5.0%	-1.6%
ETB / USD	17.29	17.37	17.48	-0.6%	-1.0%
ZAR / USD	8.07	7.46	7.67	-2.78%	5.2%
NGN / USD	162.30	157.65	157.70	0.0%	2.9%
EGP / USD	6.03	6.03	6.04	-0.2%	-0.2%
USD / GBP	1.55	1.59	1.60	-0.2%	-2.8%
EUR / USD	0.77	0.75	0.75	0.1%	-2.5%

Key Global Commodity Performance

Commodity	1/2/2012	3/1/2012	3/30/2012	% Performance for Month	% Performance YTD
Gold	1,574.57	1,713.15	1,663.80	-2.9%	5.7%
Oil	98.83	108.76	103.03	-5.3%	4.2%
Silver	2,818.00	3,456.00	3,243.00	-6.2%	15.1%
Copper	7,590.00	8,625.00	8,474.50	-1.7%	11.7%

Interest Rates

Country/Region	Base Rate
Central Bank of Kenya (Kenya)	18.00 %
Bank of Uganda (Uganda)	21.00 %
Bank of Tanzania (Tanzania)	7.58 %
South African Reserve Bank (RSA)	5.50 %
Central Bank of Nigeria (Nigeria)	12.00 %
Central Bank of Egypt (Egypt)	9.25 %
Bank of England (UK)	0.50 %
Federal Reserve Bank (USA)	0 - 0.25 %
European Central Bank (EU)	1.00 %

PART III: SELECTED M&A DEALS

Date	Buyer	Seller	Stake	Synopsis
15/03/2012	Longhorn Publisher	Delah Publishers	100%	Longhorn Publishers Kenya completed the acquisition of a Tanzanian firm, boosting its share of the neighbouring country's books market. Dar-es-Salaam based Delah Publishers' acquisition in January cost Longhorn Sh12.5 million in intellectual property rights and tradeable stock.
30/03/2012	InReturn Capital & BIO Invest		N/A	InReturn Capital has backed Reltex Tarpaulins Africa, a firm that is in the business of providing shelter to disaster-struck refugees. The investment was made together with the Belgian Investment Company for Developing Countries (BIO). The \$2.6 million investment has been equally split between BIO and InReturn.
2/4/2012	Aureos		N/A	Aureos Capital has invested \$ 5 million in Therapia Health Ltd, the holding company for The Bridge Clinic Ltd, a West Africa reproductive health centre. The investment was made through its African Health Fund.

PART IV: UPCOMING EVENTS / CONFERENCES

Events	Date	Venue	Theme
Re-engineering Business models For East Africa's New Digital Economy	April 17 - 18, 2012	Safari Park Hotel, Nairobi, Kenya	Changing Landscape: leading Innovation in East Africa.
Upcoming AVCA Annual Conference	April 22 - 24, 2012	The Mövenpick Hotel, Accra	'Africa: The Rising Giant'
Nile Basin Oil & Gas Summit 2012	April 23 - 24, 2012	Serena hotel, Kampala, Uganda	Optimising the potential of the Nile Basin's Resources
Ethiopia Investment Summit	May 9, 2012,	United Nations Economic Commission for Africa (UNECA).	Seven out of the ten fastest growing economies in the world over the next five years will be in Africa. Ethiopia is at the forefront of this truly magnificent resurgence of the African continent. Precise Consult International PLC (PCI) and Access Capital Services S.C (ACS), in partnership with a number of strategic global partners are organizing the Ethiopia Investment Summit 2012 to link global investors to Ethiopian opportunities.
Enterprise Africa Business Conference 2012	May 12, 2012	University of Oxford	Oxford Strategic Focus on Africa SIG
African Gas- LNG Conference	May 22 - 24, 2012	Radisson Mayfair Hotel, London, United Kingdom	
Africa Bankers Awards 2012	May 30, 2012	Arusha Tanzania	
Private Equity Africa Awards	June 14, 2012	Four Seasons hotel, Canary Wharf London	The Private Equity Africa Awards will exclusively celebrate the achievements of GPs and Advisors between 2001 to 2011
ADCM Summit	July 2, 2012	London	
African Business Awards 2012	July 3, 2012	Grosvenor House Hotel, London, UK	your guide to business in Africa
Hotel Investment Forum	September 25, 2012	InterContinental, Nairobi	Bench Events and The Kenya Tourism Development Corporation (KTDC) announced the Africa Hotel Investment Forum (AHIF) will be hosted in Nairobi on 25-26 September 2012 at the InterContinental. AHIF will aim to showcase the potential Kenya has to offer as well as other high-growth destinations across the continent as a whole. The Economist magazine recently identified that over the past decade six of the world's fastest-growing countries were African. Attending AHIF will offer a platform to meet potential partners and seek out new deals in this exciting growth market.
African M&A and Private Equity Forum	September, 2012		investigate key opportunities for African corporates and international investors across the continent in 2012-2013.
Eastern African Community (EAC) Investment Forum	October 16 - 17, 2012	Dubai	EAC Investment Forum which would be held in association with the EAC in Dubai on October 16 and 17, would not only inform the business community of Dubai about the investment potential of the African countries but will also allow both sides to discuss joint cooperation in areas of mutual interest.
Debtwire Africa Forum	November - December, 2012		Will African debt forever be the next big thing?
SuperReturn Africa 2012	December 3 - 5, 2012	Mazagan Beach Resort - Casablanca, Morocco	
22nd World Economic Forum on Africa	May 9 - 11, 2012	Addis Ababa, Ethiopia	

PART V: OTHER NEWS (1/2)

Nairobi tops Africa in talent survey

Kenya's quest for new investments has received a major boost after the respected Economist Intelligence Unit ranked Nairobi among the 120 most competitive locations for new capital in a global survey. The ranking belies a growing perception among local investors that Kenya was losing its lustre to regional rivals as Nairobi whitewashed larger cities including Tokyo and Johannesburg in human capital rankings where it was placed at 50. The survey called Hot Spots was carried out by the Economist Intelligence Unit (EIU) research programme and was commissioned by US banking giant Citigroup. It indexed countries between the worst, 0, and 100 being the best, on 21 criteria. City experts, mayors and corporate executives were interviewed. Only seven African cities were included in the list where Nairobi emerged number 115 in overall category which averaged ratings on human capital, economic strength, physical capital, financial maturity, institutional effectiveness and global appeal. Nairobi attained an overall index score of 34.6. Competitiveness looked at ability to attract capital, businesses, talent and visitors. In Africa, Nairobi was ranked number five in a list dominated by South African cities. It managed to beat Alexandria in Egypt and Lagos, Nigeria in that order. Johannesburg topped the list with a score of 47.1 followed by Cape Town, Durban and the Egyptian capital Cairo squeezing. The perception that Kenya has improved has a lot to do with emphasis on, say, broad macro-economic policy perspective relative to decline in competitiveness by similar countries under review. Nairobi, under Vision 2030, is expected to anchor development of the country and the report forecast it is one of the 40 global cities expected to experience buoyant economic growth. What is likely to catch the attention of the investors is the fact that Nairobi ranked 50 out of the 60 cities categorised as topping the human capital category. Quite a number of global companies have set up shop in Nairobi as the human capital factor and regional strategic importance in the fast growing region became clear.

<http://www.businessdailyafrica.com/Nairobi+tops+Africa+in+talent+survey+/-/539546/1366644/-/ux5ygz/-/index.html>

Africa has the world's fastest growing middle class

The scale and extent of Africa's economic boom is unprecedented. Over the last decade, 10 fastest growing countries were African. In eight of the last 10 years, Africa's lion states have grown faster than the Asia's Tigers. Africa has the fastest Growing middle class in the world. Traditional assets of mining and agriculture are more valuable and more productive. Rising food prices up 50% in the last two years are encouraging farmers to commercialise. Africa has 60% of the world's most uncultivated arable land. The old problems that used to hold it back are easing for instance, Birth rates are beginning to decline and the ration of working people to dependents is declining and the number of deaths from HIV is also declining. Infrastructure is slowly improving thanks to investments from China. Africa is also more peaceful and better run than at any time after independence. Across the continent, government are becoming more business friendly, cutting tariffs, dismantling barriers to trade and privatising inefficient state run firms. As debt laden western economies face their worst crisis since the 1930s, the investors are looking to emerging markets. Thanks to the vast new subsea fibre optic cables that run down the east and west coasts of Africa millions of mobile phones are in use. Internet speeds have risen 100fold in the past few years while connection costs have fallen 40-fold. It has caused the creation on mobile money platforms Safaricom's M-Pesa service being one of them that allows consumers pay for goods by transferring credits. Though there remains a challenge in some sectors for instance the educational sector in relation to international standards. Deforestation and desertification rates are rising sparking conflicts over access to land and water. Basic supplies services such as power supplies still inadequate.

(The East African March 5-11 p. VI)

Rising business confidence, consumer demand in EA open taps for PE funds

Rising business confidence and consumer demand have lifted private equity fund executives' appetite in East African economies to an all-time high, shrugging off rising concern over the level of political risk. The East African Community is this year expected to surpass the \$200 million worth of deals pumped into the region in 2011. A survey by Deloitte Consulting shows in comparison with South Africa and West Africa, PE executives polled cited East Africa's higher growth potential, more business confidence, less exposure to global turmoil and the benefits of a strong regional trading bloc as key lures. New East Africa-focused funds are targeting high-growth small and medium enterprises in consumer-driven sectors. Investors are also increasingly exploring deals in new markets in Ethiopia, South Sudan and the Democratic Republic of Congo. Activity is expected to be mainly in infrastructure, real estate, health care, agribusiness and green energy. East Africa has the potential to attract large investments in telecoms and oil infrastructure in 2012 with large firm especially in Uganda and Tanzania which have oil deposits and natural gas respectively. Investors are optimistic regarding strong consumer demand and Ugandan oil revenues, but cautious about dynamics in EAC neighbors, citing instability in South Sudan and uncertainty regarding recent government promises to liberalize the economy in Ethiopia.

<http://www.theeastafrican.co.ke/business/consumer+demand+in+EA+open+taps+for+PE+funds+/-/2560/1358510/-/item/0/-/9sg8ae/-/index.html>

PART V: OTHER NEWS (2/2)

Rwanda seeks \$5b for energy projects

Rwanda is seeking at least \$5 billion to fund energy projects for the next seven years as it moves to cut back on its current energy deficit. This includes hydropower, geothermal, methane gas and peat projects as the government targets to have at least 1,000MW on-stream by 2017. Currently, the country has an estimated potential of 83MW to be exploited. Its installed capacity (off/on grid) is currently estimated at 100MW with only 11 per cent of Rwanda's estimated 11 million population connected to the grid. Expensive and limited energy, electricity costs \$0.22 per kWh in Rwanda compared with \$0.08-\$0.10 in the rest of the region, raises the cost of doing business in the country. Investment opportunities include 20 mini and small hydropower projects totalling 9MW with an expected investment of \$20 million-\$30 million, developing medium hydropower (12MW-17MW) with an expected investment of \$80 million, a regional hydropower project, Ruzizi III (145MW), with an expected investment capital of \$450 million and 90MW Rusumo falls that needs \$300 million. Of the installed generation capacity, hydropower accounts for about 59 per cent, thermal generation, primarily hired diesel and heavy oil fuel-based generation units 40 per cent and methane gas, about one per cent. To attract private investment the government is offering incentives including providing land for power projects, compensating private developers for land acquisition and reforming its regulatory framework.

<http://www.theeastafrican.co.ke/business/Rwanda+seeks+US+dollars+5b+for+energy+projects+/-/2560/1358592/-/chwo08z/-/index.html>

Oil, gas sectors fuel region's record M&A deals

Mergers and acquisitions rose sharply in the first quarter of the year in East Africa compared with the same period a year ago, following increased deal making in the oil and gas sectors. There were 12 M&A deals in all sectors with a total value of \$3 billion completed or announced in the first quarter of 2012 – the highest during the first three months of any year – compared with six deals worth \$17 million in the same period a year ago, according to Thomson One Banker, which provides access to financial data on public companies, as well as merger and acquisition information and market data. Uganda and Tanzania, which have discovered commercially viable oil and gas deposits, had the most M&A activities and deals. The acquisition of a 66 per cent interest in the exploration areas of Tullow Oil by a consortium of investors led by China National Offshore Oil Corporation (CNOOC) and Total SA for \$2.9 billion was the largest deal closed in February. The scale of mergers and acquisitions deals in oil and gas is (much) greater, due almost entirely to the landmark Tullow-CNOOC deal in Uganda. Larger International firms have been keen on buying into smaller firms, in an attempt to add financial muscle to the exploration of oil and gas. “The scale of mergers and acquisitions deals in oil and gas is (much) greater, due almost entirely to the landmark Tullow-CNOOC deal in Uganda. The number has remained similar though. Note also that Cove itself is being bid for (this would be another big deal). It is hard to tell if those doing the acquisitions are overpaying at this stage as no-one really knows the full extent of the assets. The opinion among the gas people in Tanzania seems to be that they are not overpaying,” Burbidge Capital Managing Director Edward Burbidge said. He added that overseas corporate acquirers are looking to gain exposure to the new markets and growth rates presented by the region and a number of businesses in the region that are looking to acquire across East Africa, primarily to serve their customers who have operations across the region. However, Mr. Burbidge said that the M&A industry in East Africa is in its infancy. “There is so much organic growth opportunity that companies do not necessarily need to acquire to achieve the double, and sometimes even triples-digit growth that we are seeing here,” he said. Another challenge for M&A transactions in the region is to achieve an acceptable valuation based on fair earnings, Mr. Burbidge said. “Decision makers can be slow and find it difficult to make a final decision to commit to the transaction,” he added.

<http://www.theeastafrican.co.ke/business/Oil+gas+sectors+fuel+regions+record+deals+/-/2560/1381854/-/item/0/-/b06dffz/-/index.html>

PART VI: BURBIDGE CAPITAL IN THE NEWS

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VENTURE CAPITAL

InReturn backs disaster response

It counts among its clients international organisations such as the United Nations and its agencies and the Red Cross

INDUSTRY FOCUS
Fusion targets growth with local, forex loans

FUSION CAPITAL, the private equity firm, is looking to grow its investments in the region by offering small and medium sized enterprises loans in both local and foreign currency.
"The sectors that we are

PE funds raise \$50 billion in first quarter of 2012
A total of \$50.6 billion was raised globally by 116 private equity funds during the first quarter of 2012. Latest statistics from industry research firm, Preqin, have indicated. According to Preqin, fundraising remained steady within limits, and the figures were "comparable with recent quarters."
The research firm however added that this figure could go up by up to 20 per cent in coming days, as more data on fundraising activity becomes available.

New World Capital fundraising for \$1 billion
Former Nigerian president Olusegun Obasanjo is fundraising for a private equity fund launched by his investment advisory firm, New World Capital. The fund whose target size is more than \$1 billion will invest in agriculture, infrastructure, manufacturing, and consumer goods sectors in Africa. At the moment, New World Capital is fishing for institutional investors and high net-worth individuals to put their money on the continent.

IFC to invest \$3.5m in sub-Saharan Africa
The International Finance Corporation, the private sector arm of the World Bank plans to invest up to \$3.5 billion across 30 countries in sub-Saharan Africa. The investment will focus on infrastructure. This is a growth from last year's \$2.2 billion, and is projected to hit \$4 billion next year. Among the projects expected to benefit is the upgrading of the Kenya-Uganda railway. Jean-Philippe Prosper, IFC's East and Southern Africa director said these investments will be made progressively.

Aureos invests in West African fertility clinic
Aureos Capital has invested \$5 million in Therapia Health Ltd, the holding company for The Bridge Clinic Ltd, a West African reproductive health center. The investment, which targets providing world class fertility treatment, was made through its Africa Health Fund. According to a statement, the financing is meant to be a direct investment in The Bridge Clinic and an indirect investment in Paticcare Nigeria, both involved in the areas of fertility assistance and medical laboratories.

PineBridge Investments eyes ME and North Africa
PineBridge Investment, a private equity fund is expanding its operations to the Middle East and North Africa. The firm has already appointed a chief executive officer and will soon set up a regional headquarters. "This announcement represents yet another step forward for PineBridge in the execution of the board's strategic vision of positioning the firm to capitalise on unique investment management opportunities in high growth markets," said board chair, Mervyn Davies in a statement.

BURBIDGE CAPITAL
A corporate finance firm creating long-term advisory relationships and solutions across Eastern Africa.

Advisory Services:
Originating and structuring Private Equity investment and Mergers & Acquisitions transactions in the region.

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