

Eastern Africa Newsletter – February 2013

PART I: KEY MARKET INDICATORS

Key Africa Equity Indices Performance

Equity Index	02/01/2013	02/01/2013	31/01/2013	% Ch. m/m
NSE20	4,140.43	4,140.43	4,416.60	6.7%
FTSE NSE Kenya 15 Index	126.46	126.46	136.44	7.9%
FTSE NSE Kenya 25 Index	129.24	129.24	139.73	8.1%
DSEI (TZ)	1,486.86	1,486.86	1,488.53	0.1%
UGSINDX	1,226.27	1,226.27	1,349.31	10.0%
NGSE All Share	28,501.21	28,501.21	31,853.19	11.8%
EGX 30	5,634.55	5,634.55	5,606.49	-0.5%
JALSH (SA)	40,061.75	40,061.75	40,482.92	1.1%
S&P 500	1,462.42	1,462.42	1,498.11	2.4%
FTSE 100	6,027.37	6,027.37	6,276.88	4.1%

Key Global Currency Performance

Currency	02/01/2013	02/01/2013	31/01/2013	% Ch. m/m
KES / USD	86.25	86.25	87.70	-1.7%
TZS / USD	1,588.30	1,588.30	1,615.49	-1.7%
UGX / USD	2,704.97	2,704.97	2,664.21	1.5%
ETB / USD	18.28	18.28	18.35	-0.4%
ZAR / USD	8.50	8.50	8.95	-5.1%
NGN / USD	156.70	156.70	157.25	-0.3%
EGP / USD	6.39	6.39	6.72	-4.9%
USD / GBP	1.63	1.63	1.59	2.5%
EUR / USD	0.76	0.76	0.74	-2.9%

Key Global Commodity Performance

Commodity	02/01/2013	02/01/2013	31/01/2013	% Ch. m/m
Gold	1,681.50	1,681.50	1,674.50	-0.4%
Oil	93.14	93.14	97.65	4.8%
Silver	3,087.00	3,087.00	3,203.00	3.8%
Copper	8,084.75	8,084.75	8,169.00	1.0%

Key Events

- Nairobi bourse launches trading platform for SMEs
- Tullow strikes natural gas deposits in the north
- Tullow Oil Drilling in Ethiopia
- Kenya, Mauritania, Gabon rated top for oil, gas potential
- Kenya to lease 31 coal blocks, as it eyes cheaper energy
- Auto firm sets up regional headquarters in Nairobi
- UK insurer targets wealthy clients with Jubilee deal
- Kenya: A gem of a market move
- Konza city launch opens new frontier for investors

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It has been another incredibly busy month of deal making and investment, despite the backdrop of a presidential and general election in Kenya on 4th March. The region seems extremely well placed for very strong returns over the medium term now if Kenya can navigate through what looks like being a closely contested and fairly complicated election. Investors seem relatively unconcerned with continued good performance at equity exchanges, quite a number of PE and M&A deals made over the month (see later) and the announced arrival of Dangote Cement in Tanzania, fast food chain Subway in Kenya and large scale investment from Toyota through its regional HQ in Nairobi. Our feeling is that investments are continuing to be made now on the assumption that if the election transmission goes relatively smoothly then there may be a sharp increase in pricing thereafter.

In the natural resources sector, there is continued heavy investment, although the mining sector in Kenya has been somewhat confused about the detail relating to the new regulations on local equity ownership, which we hope will become more clear in the short term. As we have noted before, as long as local funds will qualify then there is real potential for a mutually satisfactory outcome with local listings providing the requisite shareholding as well as sought after capital. Tullow struck natural gas from its drilling in Northern Kenya and began drilling its first well in Ethiopia in mid-January. Marathon oil announced a 20% farm-in to Agitterra Ethiopia's South Omo block in Ethiopia and Anadarko (accompanied by Total and PTT) began gas exploration offshore Lamu in Kenya. Kenya also announced that 31 new coal blocks will be coming for tender, in which we are seeing increasing interest.

There was continued M&A in the region with deals done in the oil & gas, IT, retail, cosmetic, insurance and financial services sectors (see Deals section) and in private equity there were investments made into the IT, food processing, healthcare and financial services sectors and exits from banking and telecoms sectors. A new USD 800m SSA fund was raised out of South Africa that will look for EA deals and we saw the merger of a W Africa fund and an E Africa fund that will result in more capital available for E African investment (see Deals and Press). As we have said often before, there are plenty of PE opportunities around and we feel no risk of overcrowding as long as valuations are fair and investment criteria are relatively differentiated. We also see the development of the listed markets regionally as increasing the level of appeal for PE as exit potential through this method increases.

In the listed equities market, the month of January witnessed the NSE 20 index up 6.9% to 4,416.60 points (-1.9% off year high) with foreign investors contributing to about 60.0% of total market participation on the buy-side and 34.0% on the sell-side. Consequently, net foreign inflows accounted for c.USD 45.0m. The market continued its upward trend as the earnings reporting season got closer and investors positioned themselves to benefit from the expected good results announcements by listed firms.

Edward Burbidge CFA
Managing Director

OTHER KEY MARKET INDICATORS

Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	9.50 %	9.50 %
Bank of Uganda (Uganda)	12.00 %	12.00 %
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)	9.25 %	9.25 %
Bank of England (UK)	0.50 %	0.50 %
Federal Reserve Bank (USA)	0 % - 0.25 %	0 % - 0.25 %
European Central Bank (EU)	0.75 %	0.75 %

Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected GDP Growth	
	2013	2014	2013	2014
Kenya	7.0%	5.0%	4.9%	5.1%
Uganda	5.0%	5.0%	6.2%	6.9%
Tanzania	9.6%	6.6%	6.8%	7.0%
Rwanda	5.9%	5.0%	7.5%	7.3%
Burundi	8.4%	6.1%	4.3%	4.6%
Ethiopia	9.0%	9.0%	7.5%	7.2%

Source: IMF, World Bank

Date	Buyer	Seller	Deal size	Synopsis
11th Feb 2013	Grofin Kenya	Bestell Computers	USD 560,000	Computer hardware and software retail shop, Bestell, has received funding from private equity (PE) firm GroFin Kenya to finance its expansion plans into Rwanda. GroFin has invested both debt and equity in the computer reseller, as part of a KES 200 million (USD 2.25 million) injection into four budding Kenyan businesses since December. Bestell Computers, which has six branches in Nairobi and Kisumu, plans to open its seventh store in Kigali. The other firms that received funding include Zuka Travel, a logistics company, healthcare products distributor Luwada Management Services and petroleum transporter Wargen Services. The firm has approved five SME investments thus far this year and expect to invest in a total of between 18 and 22 SMEs before the year-end.
9th Feb 2013	Rand Merchant Bank / China Construction Bank / Citibank / Nedbank	Mohammed Enterprises Company Ltd	USD 100 million	Tanzania-based agriculture commodities dealer, Mohammed Enterprises Company Ltd (MeTL), has received a USD 100 million loan from Rand Merchant Bank of South Africa to expand its business. MeTL, one of the largest agricultural supply chain companies in Africa, will use the funds to finance trade in commodities such as palm oil, wheat, sesame, sugar, rice, cocoa and cotton. The funding will enable the firm to import and export products in East Africa and beyond. Most of the commodities it trades in are used by the company to manufacture a range of retail-related products. MeTL is planning to enter the Kenyan, Ugandan and Rwandan markets in a quest to boost trade in agricultural products by farmers in the region. The loan is being provided in conjunction with other banking partners; China Construction Bank, Citibank and Nedbank.
7th Feb 2013	Nimrodel Resources		USD 500, 000	Nimrodel Resources has made a second successive deal in its push for diversification, securing another option to buy 85% stakes in existing primary mining licenses in the copper rich region in Tanzania. The Heads of Agreement covers a contiguous grouping of 54 Primary Mining Licences (PML) that are already held under mining licence and are ready for consolidation. Under the agreement, the company will pay USD 43,200 for a 1 year option to explore the entire group of PMLs and USD 50,000 to explore in the second year. It also has the option to purchase 85% of the mineral rights within the PML for a once off USD 350,000 payment.
3rd Feb 2013		Afren	USD 1.6 billion	London-listed oil explorer Afren has hired a corporate finance firm to look into selling its oil fields in Kurdistan and East Africa, leaving the group focused on its main assets in Nigeria, The Sunday Times reported. Interest in both regions has soared after a string of discoveries, the newspaper said, and both China's Sinopec and US oil company Exxon could be interested in buying the assets, which could fetch up to 1 billion pounds (USD 1.6 billion). Afren has appointed Steen Associates to look into both a sale and alternative plans.
2nd Feb 2013		Swala Energy	USD 13 million	Swala Energy, the Australian hydrocarbon exploration firm, is finalizing plans to list its Tanzanian subsidiary on the Dar es Salaam Securities Exchange (DSE) before June. The company said that it will list the subsidiary through an initial public offering at the bourse's newly created Enterprise and Growth Market segment (EGMs) by the end of the second quarter of this year. Plans to list the Tanzania subsidiary comes at a time when its parent company is also seeking to raise USD13 million through an IPO at the Australian Securities Exchange (ASX), the amount will go towards supporting regional operations in Tanzania and in Kenya where it co-owns block 12B with Tullow oil. The latest move by the junior explorer — which is 65 per cent owned by Swala Energy Australia and 35 per cent by Tanzanian shareholders — comes less than six months after it raised USD1.2 million from the local market through a private placement. More mining companies in the region are expected to follow suit as they seek to fulfill government requirement for increased local ownership in mining firms — 35 per cent and 40 per cent in Kenya and Tanzania respectively — as well as take advantage of the less stringent listing requirements in the segment.

Date	Buyer	Seller	Deal size	Synopsis
1st Feb 2013	Marathon Ethiopia	Agriterra Ethiopia	USD 28 million	Agriterra Ethiopia announced that it has assigned a 20% interest in its South Omo Block to Marathon Ethiopia Ltd for USD 28 million plus adjustments for closing. Marathon Ethiopia Ltd is a subsidiary owned completely Marathon Oil Corporation. An additional USD 12 million has been lodged with the Ethiopian government to be held on account until Agriterra finalizes any tax that is related to this transaction. The tax is expected to be an estimated 30% of the net gain realized after deducting all attributable costs incurred by Agriterra in relation with developing the block in the past. An extra USD 10 million subject to all applicable taxes is to be paid to Agriterra for commercial discovery from the block.
1st Feb 2013	Liquid Telecom	Altech / Naushad Merali		Businessman Naushad Merali has ceded a 49 per cent stake in Internet service provider Swift Global for undisclosed fee — underlining his cut back in Kenya’s information technology sector where he has been dominant over the past decade. Regulatory filings with the Johannesburg Securities Exchange (JSE) show that Altech and Mr Merali have sold their entire shareholding in the firm to Liquid Telecom, a UK-based firm that offers data, voice and wholesale Internet in developing countries. Altech owned 51 per cent of Swift Global while Mr Merali held the remaining share.
31st Jan 2013	Pearl Capital Partners	Midlands Ltd	USD 2.25 million	Midlands Limited, a Nyandarua County based food processing firm, has received a KES200 million capital injection from private equity firm Pearl Capital Partners (PCP) to finance ongoing expansion. The cash will be disbursed in two equal tranches of debt and equity. The KES100 million equity investment will see PCP get a 16 per cent stake in Midlands, valuing the farmers owned enterprise at about KES625 million. PCP’s investment will fund expansion of the processing plant and a planned launch of new products. Midlands deals mainly in the processing and packaging of potato products. The expansion will see it launch new brands of packed potatoes, French fries, bhajias, mashed potatoes, Kienyeji, dehydrated vegetables, and bottled water by the end of March. Midlands sees the French fries market as one that is particularly ripe. The private financier has also invested in Western Seed and Willmar Flowers.
31st Jan 2013				A joint venture deal between clothes retailer Deacons and Woolworths is expected to be completed by end of March following shareholders’ approval of the transaction. Deacons, which operates a chain of clothing stores, said in a statement that its shareholders had approved the Joint Venture with Woolworths Holdings Mauritius Limited (WHML). Woolworths Holdings will own 51 per cent of the shares of Woolworths Kenya Proprietary Ltd (WKPL), the holding company of operations in Kenya, while Deacons will own the rest of the shares.
30th Jan 2013	Abraaj Group	Vine Pharmaceuticals		Abraaj Group has invested in Vine Pharmaceuticals, a Uganda-based health care products retailer. The financial details have not been disclosed. Vine Pharmaceuticals will use the capital to grow its share of the market and expand its footprint across Uganda. The company has plans to extend its reach outside the capital Kampala and boost its wholesale services to hospitals and other pharmacies. Vine Pharmaceuticals is keen to tap the expected spike in consumer spending on health care products. Expenditure in Uganda’s pharmaceutical market has been growing at a compound annual growth rate (CAGR) of 13% and is expected to reach USD 545 million by 2014. The deal is Abraaj’s first in the retail pharmaceutical sector and was structured through the Africa Health Fund (AHF).

Date	Buyer	Seller	Deal size	Synopsis
28th Jan 2013	Liquid Telecom	Altech		JSE-listed technology group Altech is selling its troubled East African businesses in a complex deal which will see fibre-optic telecommunications specialist Liquid Telecom taking over the assets. As part of the transaction, Altech will take an 8.6% stake in Liquid, which operates fibre infrastructure, primarily in Southern and Central Africa. Liquid is majority owned by Econet Wireless Global, the company founded by Zimbabwean telecoms tycoon Strive Masiyiwa. The sale is on a “net debt-free and cash-free basis” to Liquid. Altech will buy additional new ordinary shares in Liquid for a cash consideration of US\$16,5m. It intends to hold the stake as a “strategic minority interest shareholding”. As long as Altech continues to hold the shares, it will be entitled to 10% of all votes being cast at general meetings of ordinary shareholders of Liquid Telecom.
28th Jan 2013				Jetlink has inked an agreement with budget carrier FastJet to launch a low-cost carrier amid uncertainty over the ownership and role of Fly540 in the joint venture. The budget carrier said the new airline will be used as a platform to launch the FastJet brand in Kenya after receiving approvals from the boards of two firms and licences from the civil aviation authority. The proposed airline will be a separate entity from the grounded Jetlink, raising the possibility that it will rival Fly540, where Rubicon that owns the FastJet brand has a significant shareholding. Early January Jetlink announced it would resume operations by March with the help of new equity investors. The airline suspended services in November due to cash flow challenges as it was unable to access about USD 2 million (KES 170 million) worth of ticket sales held in bank accounts in South Sudan.
28th Jan 2013		Interconsumer Products		The owners of beauty firm Interconsumer Products, makers of Nice & Lovely products, have announced plans to sell their shares to an international company believed to be South Korean for an undisclosed fee. In the latest edition of the Kenya Gazette, the firm states that it’s in talks with a firm called Interworld Cosmetics (Africa) Limited and will transfer the business before March 2013. Details of the deal remained sketchy, but lawyers familiar with the transaction said that the proprietor of Interconsumer Products, Paul Kinuthia, is ceding a majority stake to Interworld Cosmetics, ending talks of a possible buyout of the firm by French cosmetics maker L’Oreal. If the deal goes through, it will be major coup to Mr. Kinuthia who built Interconsumer Products from scratch in the backstreet of Nairobi in 1995 to a major player in the beauty market.
27th Jan 2013	Centum Investment	Platcorp Holdings Limited		Centum Investment has gained a piece of the regional lending business with the acquisition of 45 per cent share of Platcorp Holdings Limited, a microfinance firm specialising in emergency loans, that operates in Uganda, Kenya and Tanzania for undisclosed amount.

Date	Buyer	Seller	Deal size	Synopsis
24th Jan 2013	NBC Holdings	Kenbright Insurance Brokers Ltd		Kenbright Insurance Brokers Ltd has merged with South African firm NBC Holdings in a move meant to grow their business and spread their foothold in Africa. The new company will be known as Kenbright NBC Risk and Financial Services. It will exploit the existing potential of actuarial services on the continent. The company will offer a wide range of actuarial-related products for defined contribution retirement funds, defined benefit retirement funds and social security schemes.
23rd Jan 2013	City Trust	Proparco / DEG		Two of Europe’s largest development finance institutions have sold nearly half of their stake in I&M Bank, estimated at KES3.6 billion, ahead of the listing of the lender at the Nairobi bourse. French firm Proparco has sold 1.3 million I&M Bank shares worth KES1.8 billion to existing shareholders of the bank while Germany’s DEG has agreed to sell a similar stake to its fellow investors by March 5. This will see their combined stake drop to 10.68 per cent from 19.77 per cent in December, with the two firms earning a 125 per cent return on their investment since 2007, despite remaining with shares worth KES4.2 billion. The value is based on the bank’s set valuation of KES40 billion. DEG and Proparco invested EUR4 million (KES464 million) in 2007 and KES1.2 billion in 2010 in I & M Bank to acquire a 21.71 per cent stake in the bank. This means the partial share sales alone earned the development finance institutions (DFIs) a 125 per cent return on their investment —excluding dividend income and their remaining KES3.3 billion stake.
23rd Jan 2013			USD 800 million	Ethos Private Equity has reached the final close of its latest fund at USD800 million, exceeding its original USD750 million target. The fund has attracted commitments from both local and global investors, including pension funds and sovereign wealth funds. Backers include the International Finance Corporation which has committed USD30 million. Ethos has been raising the fund since mid-2011. Ethos has already made two investments from the fund, backing South Africa-based Waco International, a construction services company, and Kevro-an accessories distribution company. Ethos is interested in controlling stakes in mid- to large-cap companies, targeting deals sizes of between USD85million (ZAR750m) and ZAR3bn. The fund’s managers are primarily searching for targets within South Africa, but would also be interested in sub-Saharan companies, particularly in Nigeria, Ghana, Kenya, Uganda and Tanzania. Target sectors include business services, consumer, manufacturing, healthcare, and industrial suppliers. The investor will however not back banks, agriculture, and mining and mineral exploration companies. Ethos also does not back early-stage companies.
22nd Jan 2013			KES 29 billion	The merger of listed investment firm City Trust with I&M Bank through a share swap transaction will be worth KES 29 billion in a deal that will see the private lender list on the Nairobi bourse. City Trust will become the holding company of I&M Bank in a transaction that will see the bank’s shareholders exchange their shares for those of City Trust in what has been described as a reverse takeover with I&M investors having a controlling stake in the holding company. Under the deal, shareholders in the larger I&M Bank will be offered 13.62 shares in the investment firm for every share they hold in the bank in what will see the investors granted 363,722,034 new City Trust shares. The new shares will be offered after the split of the stock into five parts, valuing each at KES 80 based on current trading prices of City Trust at the bourse of KES400 in what values the deal at KES29 billion. The deal gives the mid-tier lender a market valuation of KES31 billion given that City Trust had a 7.28 per cent stake in I&M Bank before the takeover transaction. The investment firm is listed on the alternative market segment of the NSE and its deal with I&M Bank will help it to meet the minimum capital threshold required for listing on the main stocks market.

Date	Buyer	Seller	Deal size	Synopsis
22nd Jan 2013	Morgan Stanley / International Finance Corporation (IFC)	Eleni & Associates	USD 5 million	Morgan Stanley and the International Finance Corporation (IFC) have partnered on a USD 5 million equity injection into Eleni & Associates, an Ethiopia-based business services company. The company will use the financing to develop commodity exchanges across Africa, using a model it developed for its Ethiopia Commodity Exchange. The exchange was founded in 2008 and is currently a USD1.2 billion market. Prior to the investment, Eleni Gabre-Madhin held 70% of Eleni, while fellow co-founders Keith Thomas and Jawad Ali each owned 15%. 8 Miles and the African Development Bank are expected to put additional funds into Eleni. Morgan Stanley and IFC are each expected to put USD2.5million into Eleni. Morgan Stanley has backed the company through its strategic investments unit, which recently invested in US-based futures exchange Eris Exchange. Eleni was established in 2012 to design, build and support core operations of scalable commodity exchanges in Africa. The company is headquartered in Addis Ababa, with offices in Ghana, Nairobi and the United Arab Emirates.
22nd Jan 2013	Fanisi Capital	Sophar		Fanisi Capital has invested in Sophar, a pharmaceutical company based in Rwanda. The financial details have not been disclosed. Fanisi backed the company through a hybrid of equity and mezzanine financing. The transaction is Fanisi's deal outside Kenya and was led by co-managing partner Ayisi Makatiani. Sophar will use the capital to build a World Health Organization-certified warehouse in the capital, Kigali. The facility is expected to grow the company's warehousing capacity from holding 900 to 3000 products. Sophar also plans to set up distribution centers across the country in a bid to boost its network. The company's strategy is to grow into a leading pharmaceutical wholesaler across East and Central Africa. Sophar imports branded pharmaceutical products, primarily from Europe. The company was founded in 2007.
20th Jan 2013	France Telecom	Alcazar Capital		France Telecom has bought the 11 per cent stake owned by Alcazar Capital, a Dubai based private equity firm, in Telkom Kenya in a deal that has tightened the French multinational's grip on the local operator. The amount paid to Alcazar was not disclosed. The deal means that the French firm now fully owns the 60 per cent stake in Telkom Kenya initially held by an entity known as Orange East Africa, a special purpose vehicle created by France Telecom and Alcazar Capital after jointly acquiring a controlling stake in the Kenyan operator in 2007.

Nairobi bourse launches trading platform for SMEs

The Nairobi Securities Exchange launched a trading board for small and medium enterprises (SMEs) on 22nd January, which will open a new investment window and funding opportunities for start-up businesses. The launch of the Growth Enterprise Market Segment (GEMS) culminated years of planning aimed at accommodating SMEs at the stock market in recognition that they employ about three-quarters of Kenyan workers.

Financial advisory firm Burbidge, which has already got NSE's approval to consult for small firms applying for listing on the GEMS board, said that there has been high interest among small firms that wish to use NSE as an alternative source of capital to traditional bank loans. "We have been getting a lot of queries from firms. Most are looking at raising capital," said Vimal Parmar, head of research at Burbidge Capital. The firm is an authorised nominated advisor (Nomad), a consultant for firms that want to list on the GEMS segment. Mr Parmar said that despite potential SMEs' high interest in the platform, the first listing will likely take place in the second quarter of the year as issuers wait for the outcome of the General Election to implement their plans. "There is a wait-and-see approach as we wait for elections," said Mr Parmar.

(Source: Business Daily, Jan 16 2013)

Tullow strikes natural gas deposits in the north

Tullow Oil has discovered deposits of natural gas at a well in northern Kenya, whose drilling is set to be completed later this month. The deposits were struck at 4,100 meters, less than a kilometer to the target depth of 4,900 meters at the Pai Pai 1 well in Block 10 A. The block is half owned by Tullow, 30 per cent by Africa Oil and the rest by Afren Plc.

An official conversant with the progress said that Tullow are now testing to see output at that high pressure. Industry analyst, George Wachira said that commercial natural gas deposits interrupt the momentum in the continued search and testing at the Twiga 1, Ngamia 1 well and also the Mbawa natural gas prospect off the coast of Lamu. Finding of gas also delays commercial confirmation of already discovered oil which, hopefully, the drilling of "Sabisa-1" in Ethiopia will help to confirm. Kenya is working on laws for exploration, production, logistics and monetisation of natural gas.

(Source: Business Daily, Feb 18 2013)

Tullow Oil Drilling in Ethiopia

Tullow Oil has begun drilling work on its concession in South Omo, Ethiopia. The British oil exploration firm is drilling its first well following eighteen month long seismic tests an area over 18 thousand kilometers square. The company began drilling last week on the bloc named after a local bird 'Sabisa'. The explorer has hired a drilling company, and all the drilling machines and other required machines have arrived at the drilling location according to sources. It is to be remembered that the Ethiopian Ministry of Mines announced that it was in the process of facilitating visas for a Tullow drilling crew that will oversee the launch of drilling processes in October.

A Full Tensor Gradiametric Gravity Survey used to establish the geographical characteristics of the concession area was conducted by the Chinese company BGP Geo Service plc. The process leading up to drilling is very complicated and with a range of components making it difficult to predict the outcome although Tullow officials have already informed the Ethiopian government of the presence of considerable oil reserves in the area according to a geological expert with the ministry.

(Source: 2Merkato.com, Jan 16 2013)

Kenya, Mauritania, Gabon rated top for oil, gas potential

Kenya has been ranked among the top three African countries where huge oil and gas deposits are likely to be discovered this year, giving hopes to explorers who have heightened drilling in the country. Paris-based lender BNP Paribas Bank rated Kenya, Mauritania and Gabon as the most promising exploration hotspots.

Bankers and mining analysts project that over USD300 million will be spent in Kenya on exploration activities this year by prospecting firms, especially after last year's discoveries of crude oil onshore by Tullow Oil Plc and Apache Corporation natural gas offshore find. Two oil and gas wells were expected to be sunk this month in Lamu in a fresh round of drilling activity, which is projected to significantly increase in the next 12 months. Anadarko Petroleum Corporation had indicated it would from January 3, sink two oil and gas (hydrocarbons) offshore wells in Lamu, off the coast of Kenya. The country expects drilling of eight more wells later in the year as BG Group, Afren Plc, Ophir Energy, Africa Oil Corporation and Vanoil Energy among other firms intensify their search for hydrocarbons in what oil and gas experts said could greatly transform global energy flows. Analysts, led by Australian consulting firm Hartleys, project that drilling activity will increase in offshore Kenya with up to 10 wells expected this year. Tullow Oil, a London Stock Exchange listed firm, plans to drill at least seven of the 10 wells in Kenya. Taipan Resources Inc is set to start a survey of exploration area 2B in North-Eastern Kenya at the end of this month. Aidan Heavey Tullow Oil's chief executive officer said the firm expects to maintain its exploration-led growth strategy in countries where it operates especially after establishing Kenya as a new hydrocarbon province.

Investment bank Fox-Davies Capital anticipates room for growth of Tullow Oil with regards to its East African portfolio, especially in Uganda where there is significant potential, and in Kenya where discoveries have been made recently.

(Source: The EastAfrican, Jan 19 2013)

Kenya to lease 31 coal blocks, as it eyes cheaper energy

Kenya is set to create 31 new coal exploration blocks this month to be leased to prospective investors through competitive bidding as the country pushes for diversification of energy sources to meet growing demand for power. The acreage will be gazetted this month by the Ministry of Energy and the Ministry of Environment and Mineral Resources. Two of the blocks — C and D, which are already mapped and leased out — are thought to have more than 400 million tonnes of coal reserves valued at KES3.4 trillion (USD40 billion), according to estimates from the Ministry of Energy. The 31 new blocks are expected to have much more than this.

Coal is considered a cheap source of energy and the Ministry of Energy said if found to be commercially viable, some of the coal will be used in the cement and steel industries, which are estimated to be spending at least KES4 billion (USD47 million) annually in coal imports. Kenya spends at least Ksh14 billion (USD160.9 million) annually on importation of 150 metric tonnes of coal. The government also hopes to use coal as a substitute for power from the national grid as one way of reducing the country's reliance on electricity, which currently does not match demand.

Nine foreign firms — Zhongmei Engineering Group; China National Electric Engineering Co Ltd; Avic International Holding Corporation jointly with CPI Power Engineering Co Ltd; Tata Power Company Ltd; JSW Energy Ltd; Madhucon Projects; Harbin Electrical International Co Ltd of China jointly with Coal Technology & Engineering Group Corp; Jindal Steel & Power Ltd; HTG Development Group Co Ltd with venture partners SEPCO Electric Power Construction Corporation and Shandong Province Bureau of Coal Geology — have already been shortlisted by the Ministry of Energy for rights to explore blocks A and B.

Exploration is likely to start before the end of this year once the awarding is ratified by parliament in line with the Constitution. Industry players said the creation of new coal blocks is likely to lead to the discovery of commercial deposits in Kenya spurring manufacturing of fertilisers and chemicals such as sulphuric acid.

(Source: The EastAfrican, Jan 19 2013)

Auto firm sets up regional headquarters in Nairobi

Japanese conglomerate Toyota Tsusho Corporation has established a regional headquarters in Nairobi, setting the stage for big-ticket investments in Kenya and its neighbouring states. The new office will search for investment opportunities in the energy, oil, agricultural, and health sectors as the company ramps up its local portfolio of investments. It is the latest multinational to establish its regional headquarters in Nairobi, asserting the country's position as a favourite investment destination in Eastern Africa.

The firm's existing local investments include a new vehicle dealership (Toyota Kenya), used car sales (Toyotsu Auto Mart), and its contract to build KenGen's Olkaria I and IV geothermal plants that will produce 280 megawatts of power. It has made a bid to construct the proposed Lamu-Juba oil pipeline that is estimated to cost USD 5 billion, with the firm eyeing major investments in the regional pharmaceutical distribution and commercial agriculture. Toyota says the restructuring is aimed at taking advantage of more investment opportunities created under the East African Community, an economic integration of five regional states.

The EAC common market is becoming increasingly important to investors, offering access to a market of 130-million people with free movement of factors of production. Its current and prospective portfolio of investments in Kenya and the region will be managed from the new office in Nairobi as opposed to South Africa as was the case previously. Toyota said that the East African office will in the long term have significant interests in the automotive, logistics, chemical, farm mechanisation, and geothermal sectors. For Toyota, the new office is the first step in making more investments in Kenya and in the regional market that is on the verge of major mineral resource boom, including Uganda's oil and Tanzania's natural gas finds.

(Source: Business Daily, Feb 11 2013)

UK insurer targets wealthy clients with Jubilee deal

A British insurance firm that targets high-end corporate clients and expatriates is set to enter the Kenyan market in partnership with Jubilee Insurance. Bupa International announced it had signed a partnership agreement with Jubilee. The deal will see the UK Company sell its products in Kenya through Jubilee Insurance targeting a growing number of mid-level managers, expatriates and the middle class.

The Insurance Regulatory Authority (IRA) which vets all insurance products in the country confirmed that the deal had received the regulator's approval. Recently, the IRA said that between January and September last year the industry's gross written premiums stood at KES 83.56 billion, representing a 20.8 per cent increase of from KES 69.17 billion recorded by end of the same period in 2011.

(Source: Business Daily, Jan 15 2013)

Kenya: A gem of a market move

The clang of a bell announced the launch of Kenya's new small and midcap market segment on Tuesday, but its founders are determined that will be the only old-fashioned thing about it. The Growth Enterprise Market Segment (GEMS) could be the solution to several constraints on the growth of Kenya's economy, which relies on small business for 40 per cent of the country's \$36bn GDP, and may provide the route for Kenyans to invest in the country's nascent natural resource sector. So far lawyers have trained eight "nomads" (nominated advisors) who will ready companies for market.

The market also creates an entry point for the clutch of much larger foreign miners and oil and gas companies that are just beginning to explore Kenya in earnest, such as UK oil company Tullow and Australia's Base Resources. Such companies would not otherwise be allowed to list on the NSE because they have insufficient track record or profits history in the country. In a key move that may unlock natural resource investment to Kenyans, companies can be incorporated abroad so long as they register in Kenya.

Edward Burbidge, nomad and managing director at Burbidge Capital, said local investment institutions were already keen to find out how invest in the natural resources sector through the new market segment. He added that the natural resources explorers could not list on the main segment because they are not in profit – since they are exploring not producing – and added that it would be a smart move to have local investors on their register.

(Source: Katrina Manson, Financial Times, Jan 22 2013)

Konza city launch opens new frontier for investors

The Konza ICT City, one of the theme projects expected to make Kenya a newly industrialised economy in 17 years, breaks ground Wednesday with the promoters reporting that they have already attracted investors from around the world. The Director-General of Vision 2030 Delivery Secretariat, Mugo Kibati, said investors had responded positively to Konza which many attribute to the buzz created by innovation like Safaricom's M-Pesa money transfer system on the global stage.

Asian investors, especially from China, were mainly interested in construction while their European and American counterparts were more interested in the data processing business. Konza Technopolis Development Authority chairman John Ngumi said the ground breaking by President Mwai Kibaki would open the door for the recruitment of an executive team and engagement with presidential candidates who are key to the project's continuity after the transition. Mr Kibaki will launch the physical development phase that had been scheduled to have started late last year. Besides politicians and other stakeholders, the board is expecting senior executives from the US, Europe and the rest of world at the ceremony.

The first phase will be implemented side by side with infrastructure development that is estimated to cost KES26 billion (USD300 million) and which is ongoing at the 5,000-acre land in Konza, 60 kilometres from Nairobi. It includes setting up of a hospital, a science park and a technology university among other amenities. Besides infrastructure and the science park, phase one will feature bits of the CBD and the financial hub which would be implemented fully in phase two. The first phase targeting early adopters would be implemented within five years and the second including light industries would take a decade.

(Source: Business Daily, Jan 22 2013)

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
The 7th Africa Economic Forum 2013	6th March	Johannesburg, South Africa	The 7th Africa Economic Forum 2013, is a Premier-Annual Forum focused on the fundamentals shaping Africa's economic future and brings together leading corporates, state officials, industries, senior executives and economic thinkers on Africa's economies in a content-rich meeting. The Agenda is shaped around leading-edge shifts within the Continent's political economy, evolving commercial landscapes impacting investment and business operations, and Africa's emerging role/s and strategic position within a highly competitive, rapidly globalizing world.
Private Equity World, Africa 2013	20-21 March	Wyndham Grand hotel London, UK	Private Equity World Africa 2013 is a two day conference dedicated to identifying the most exciting private equity opportunities in Africa. It brings together leading LPs and GPs to discuss opportunities presented by Africa's emerging middle class, real estate, financial services, telecommunications, agribusiness and infrastructure.
The 2nd East Africa Oil and Gas Summit 2013	18-19 April	Nairobi, Kenya	The theme is 'East Africa the new frontier for Oil and gas exploration'. The summit aim is Development, strategies and opportunities in the oil and gas markets
2nd Oil & Gas Africa 2013 (EXPO)	29 April - 1 May	KICC Nairobi, Kenya	The 2nd Oil & Gas Africa, April 29th to 1st May 2013, is a hub for key players in the oil and gas community, attracting leading oil, gas and petroleum companies from around the world. Trade visitors from all over East & Central African countries are being invited directly and in collaboration with several regional trade bodies in Kenya, Tanzania, Ethiopia, Uganda, Somalia, Mozambique & Congo. Oil & Gas Africa will offer participants the opportunity to showcase the industry's latest achievements and technologies while networking with key figures from the region's oil and gas sector. The exhibition brings the industry together in a forum that is conducive to business.
World Economic Forum on Africa 2013	8-10 May	Cape Town, South Africa	Under the theme "Delivering on Africa's Promise", the 23rd World Economic Forum on Africa will provide an important platform for regional and global leaders from business, government and civil society to deepen the continent's integration agenda and renew commitment to a sustainable path of growth and development by addressing the following themes: Accelerating Economic Diversification, Boosting Strategic Infrastructure and Unlocking Africa's Talent.
Uganda & COMESA Oil, Gas and Mining Summit 2013	9-10 May	Kampala, Uganda	This Summit aims to integrate the oil, gas, and mining sectors of Uganda and the COMESA region in order to create a sustainable development strategy that will transform our economies. It will bring together international investors, industry experts, policy and decision makers, and development partners to discuss the opportunities in the sector.
UMEC 2013: 1st Uganda, mining, energy & oil & gas conference and exhibition	28-30 May	Serena Hotel Kampala, Uganda	The main theme of UMEC 2013 is "Development through Sustainable Management of Uganda's Energy & Mineral Resources". UMEC 2013 is a turnkey event focusing on the Republic of Uganda's mining, energy and petroleum potential and their sustainable development. UMEC will feature two days of conference sessions, a trade exhibition, round table discussions, seminars as well as touristic trips and technical visits. The event will be organized by the Ministry of Energy & Mineral Development, Republic of Uganda, in association with AME Trade Ltd.
Kenya Mining, Energy/Oil & Gas and Infrastructure 2013 Mining, Energy/Oil & Gas Kenya ("KMEOGII 2013")	5-6 June	Nairobi, Kenya	KMEOGII 2013 is a turnkey event focusing on Kenya's Mining, Energy/Oil & Gas and Infrastructure investment potential.
4th Eastern Africa Oil, Gas & Energy Conference 2013	19-20 June	Nairobi, Kenya	Themes covered include: Government policies, state interventions in the oil/energy market, state oil/energy companies, private energy investments and interests, corporate portfolio and strategies, new entrants, competition and regulation, plus critical issues impacting the Eastern African future
East Africa Oil and Gas Summit	7-9 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)	29-31 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.
20th Africa Oil Week/Africa Upstream 2013	25-29 November	Cape Town, South Africa	Join us, as we will celebrate our 20th Africa Oil Week/Africa Upstream 2013 in Cape Town (25-29 November, 2013), where we shall again host the world's leading meeting on Africa for corporate deal-making, Roadshows and senior-level networking across the oil/gas industry in and on Africa, and designed to build the African Continent's economic future.

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