

Eastern Africa Newsletter – March 2013

PART I: KEY MARKET INDICATORS

Key Africa Equity Indices Performance

Equity Index	02/01/2013	01/02/2013	28/02/2013	% Ch. m/m	% Ch. YTD
NSE20	4,140.43	4,420.79	4,518.59	2.2%	9.1%
FTSE NSE Kenya 15 Index	126.46	137.11	141.12	2.9%	11.6%
FTSE NSE Kenya 25 Index	129.24	140.48	144.27	2.7%	11.6%
DSEI (TZ)	1,486.86	1,488.53	1,506.34	1.2%	1.3%
UGSINDX	1,226.27	1,355.25	1,379.23	1.8%	12.5%
NGSE All Share	28,501.21	32,411.86	33,075.14	2.0%	16.0%
EGX 30	5,634.55	5,693.73	5,489.46	-3.6%	-2.6%
JALSH (SA)	40,061.75	40,601.09	39,709.56	-2.2%	-0.9%
S&P 500	1,462.42	1,513.17	1,514.68	0.1%	3.6%
FTSE 100	6,027.37	6,347.24	6,360.81	0.2%	5.5%

Key Global Currency Performance

Currency	02/01/2013	01/02/2013	28/02/2013	% Ch. m/m	% Ch. YTD
KES / USD	86.25	87.60	86.15	1.7%	0.1%
TZS / USD	1,588.30	1,618.49	1,620.48	-0.1%	-2.0%
UGX / USD	2,704.97	2,672.00	2,474.94	8.0%	9.3%
ETB / USD	18.28	18.35	18.42	-0.4%	-0.8%
ZAR / USD	8.50	8.84	8.97	-1.5%	-5.3%
NGN / USD	156.70	157.25	158.55	-0.8%	-1.2%
EGP / USD	6.39	6.72	6.74	-0.4%	-5.3%
USD / GBP	1.63	1.57	1.52	3.6%	7.0%
EUR / USD	0.76	0.73	0.76	4.7%	0.9%

Key Global Commodity Performance

Commodity	02/01/2013	01/02/2013	28/02/2013	% Ch. m/m	% Ch. YTD
Gold	1,681.50	1,665.00	1,591.00	-4.4%	-5.4%
Oil	93.14	97.46	92.79	-4.8%	-0.4%
Silver	3,087.00	3,143.00	2,895.00	-7.9%	-6.2%
Copper	8,084.75	8,159.75	7,826.50	-4.1%	-3.2%

Key Events

- Commodities exchange plan takes shape as NSE joins body
- Ophir seeks to raise EUR553m
- Sanlam in USD 500m property fund
- State-owned Indian bank gains entry for trade deals

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The corporate investment mood remained buoyant over the period as Kenya initially received a clear winner in its presidential election, somewhat unexpectedly, in the first round. The stock market continued its upward trend (see later) and a number of investment deals were also announced as well as further FDI with Pepsi launching a USD 30m soft drinks manufacturing plant in Nairobi and Bank of Kigali announcing that it will open a Kenyan office. Although a little doubt has been cast by the challenge made to the election result by the CORD coalition, it is abundantly clear to us that if this issue can be resolved there is an incredibly strong platform for deal making in the region in the short and medium term.

The natural resources sector saw yet more progress announced. Total SA declared plans to begin oil exploration on the Tanzanian side of Lake Tanganyika and BP announced its intention to look at gas exploration in Tanzania. Tullow unveiled plans to drill a further 11 wells in Kenya this year alone and Ophir energy launched a c. EUR 550 million London rights issue following its gas exploration successes in Tanzania. In Mozambique China National Petroleum Corp is said to be in talks to acquire a stake in ENI's LPG assets which may be valued at around USD 4bn. ENI is likely to begin gas exports from Mozambique in 2018. Slightly further afield in the region oil explorer General Energy, headed by former BP boss Tony Hayward, announced that it is confident of discovering commercial quantities of oil in Somaliland. It seems increasingly that Eastern Africa is well set to develop into a major province for oil and gas in particular. In mining, Ezana Mining announced that it will be constructing a USD 18m gold plant in Tigray, Ethiopia.

In private equity, we witnessed 1 investment deal announced, in the financial sector, coupled with a USD 150m Africa PE fund being raised; encouragingly this is being primarily financed by commercial investors. A USD 500m real estate fund was also launched with a heavy focus on housing developments in Eastern Africa (see Deals section). Finally, the East African PE industry was formalized by the creation of an East Africa Private Equity Association that has quite a number of the local major players as its founding members, a progressive development.

In the public equities space, the NSE 20 index continued to edge upwards (14.5% ytd - 19 March 2013) vs. 6.9% until 31 Jan 2013. Investors across the board reacted positively to strong earnings announcements by listed firms in Nairobi, most of which reported double digit growth. Moreover, a peaceful election outcome led to increased confidence in the market with investors reducing the political risk premium that was factored into the stock market before the general elections. In the month of February, net foreign inflows accounted for USD 45.5m, with 69.4% participation on the buy-side and 42.8% on the sell-side. We expect market sentiment to remain positive, *ceteris paribus*, as investors await the outcome of the petition filed by the CORD coalition.

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
18th Mar 2013	Amethis	Chase Bank	USD 10.5 million	Amethis has taken a minority stake in Chase Bank with a USD 10.5m investment, and will also have a seat on the board. Chase will use the funding from Amethis' to grow regionally. The bank also plans to strengthen its offerings to small and medium sized companies, and also expand its retail products. The bank's growth plans were last year bolstered by loans from Germany's development financier Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG), and PTA Bank, an Eastern and Southern Africa trade and development bank. Chase Bank additionally received financing from Switzerland-based ResponsAbility – a direct investment into the bank's microfinance subsidiary, Rafiki Microfinance.
5th Mar 2013		Ophir Energy	EUR553 million	Ophir Energy is to raise EUR553m in a placing and rights issue just a month after Lakshmi Mittal, one of Britain's richest men, and Och Ziff, the US hedge fund, sold down a combined 9 per cent stake in the Africa-focused oil and gas explorer. The company, viewed as a takeover target after success alongside partner BG Group in discovering large gas reserves off Tanzania, said it expected to raise EUR91m by placing just under 20m shares at 460p each. However, the bulk of the fundraising will come from a rights issue of two new shares for five existing shares in a move that effectively taps existing shareholders for the remaining EUR462m targeted by the fundraising. New shares created through the placing and rights issue are expected to represent 32 per cent of the enlarged share capital, with the effect of the rights issue expected to dilute the value of existing shares to 407p. The company has interests in several African countries including Ghana, Equatorial Guinea, Gabon and Kenya. Ophir has long been viewed as an eventual takeover candidate once its Tanzanian fields are established as containing sufficient reserves to justify the building of a liquefied natural gas plant to supply the fuel to markets in Asia.
4th Mar 2013	IFC	KCB	USD 160 million	IFC announced that it is working on a USD 150 million (KES 13.05 billion) loan facility to KCB Group to boost its strategies that include affordable lending to small and medium-sized businesses (SME's), agribusiness and housing, and a USD 10 million (UGS 26.67 billion) loan to KCB Uganda to boost the bank's mortgage lending business. The loan, which was approved in August 2012 and signed last month, is expected to help the company increase access to affordable housing. It is also expected to help to grow housing supply in Kenya through on-lending to property developers and energy efficient housing developments. The loan to KCB Uganda, whose details will be finalised in April, will help the bank grow its market share. IFC said the loan will also allow the bank to offer longer term loans lowering maturity risk, which could bring down interest rates and make mortgages more affordable.
1st Mar 2013		Amethis Finance	USD 150 million	Amethis Finance, managed by Amethis Advisory, have announced their first close of USD 140m in December 2012 as well as the approval of OPIC's board for a USD150m credit facility of a maturity of up to 13 years. In addition, the company said that three other large institutional shareholders were in the final stages of appraising a total of USD40m of commitments, anticipated to be finalised during the first quarter of 2013.

Date	Buyer	Seller	Deal size	Synopsis
25th Feb 2013		Sanlam	USD 500 million	The East African Community member states are to benefit from a USD 500 million real estate fund to be launched end of March by South African financial services company, Sanlam. Fundraising will continue in 2013, with a target of USD 100 million. The Fund will provide risk capital to developers building middle and lower-middle income residential housing in Kenya, Zambia, Tanzania, Uganda, Mozambique and Rwanda. The Sanlam sub-Saharan Africa Real Estate Fund will be listed at the Mauritius Stock Exchange. The company said it will target investors from the US and Southern Africa. The initial capital-raising process will close on March 31, with the target audience being large institutions in the savings industry. Possible big investors include South Africa's Government Employees Pension Fund — worth USD 120 billion — which has been undertaking aggressive investment across Africa. The fund is also part of Sanlam's pan-African investment strategy.
25th Feb 2013		Taipan Resources	USD 3 million	Canadian explorer Taipan Resources has raised USD 3.1 million from a private placement to fund its operations in northeastern Kenya. Taipan issued 8.8 million shares. Toronto Stock Exchange-listed Taipan said it will use proceeds from the private placement to fund a seismic survey with other programmes to map potential crude oil and natural gas well drilling sites in northeastern Kenya. Taipan said it will use part of the proceeds for its exploration work.

Commodities exchange plan takes shape as NSE joins body

The Nairobi Securities Exchange (NSE) has joined the futures exchange fraternity, taking Kenya closer to establishing a commodities market. The NSE is now an associate member of the Association of Futures Markets (AFM), a Budapest-based organisation that helps in the developing and establishment of derivatives and related markets globally. NSE chief executive Peter Mwangi made the announcement at the 16th Annual AFM conference in Johannesburg, South Africa.

AFM is a not-for-profit association founded by 10 members: Budapest Commodity Exchange, the Central Clearing House and Depository Ltd. of Budapest, the Romanian Commodities Exchange, the Buenos Aires Futures Exchange, the Amsterdam Commodity Exchange, South African Futures Exchange, the Warsaw Commodity Exchange and the Malaysian Derivatives Exchange. The Association promotes and encourages the establishment of new derivative and related markets and organizes international conferences to promote communication, transfer of information and experiences among members.

Derivatives can be used either for risk management (i.e. to “hedge” by providing offsetting compensation in case of an undesired event, “insurance”) or for speculation (i.e. making a financial “bet”). The establishment of a derivatives market in Kenya will enable Kenyan corporate and individuals to manage risk such as fluctuating produce prices, currencies and interest rates more effectively.

(Source: Business Daily, NSE)

Ophir seeks to raise EUR553m

Ophir Energy is to raise EUR553m in a placing and rights issue just a month after Lakshmi Mittal, one of Britain’s richest men, and Och Ziff, the US hedge fund, sold down a combined 9 per cent stake in the Africa-focused oil and gas explorer. The company, viewed as a takeover target after success alongside partner BG Group in discovering large gas reserves off Tanzania, said on Monday it expected to raise EUR91m by placing just under 20m shares at 460p each.

However, the bulk of the fundraising will come from a rights issue of two new shares for five existing shares in a move that effectively taps existing shareholders for the remaining EUR462m targeted by the fundraising. New shares created through the placing and rights issue are expected to represent 32 per cent of the enlarged share capital, with the effect of the rights issue expected to dilute the value of existing shares to 407p. JPMorgan Cazenove is acting as sole sponsor and joint bookrunner of the fundraising. Ophir said the rights issue would remove the overhang of an anticipated need to raise funds to progress its projects that had weighed on the stock.

The company has interests in several African countries including Ghana, Equatorial Guinea, Gabon and Kenya. Ophir has long been viewed as an eventual takeover candidate once its Tanzanian fields are established as containing sufficient reserves to justify the building of a liquefied natural gas plant to supply the fuel to markets in Asia.

(Source: Financial Times, Mar 04 2013)

Sanlam in USD 500m property fund

The East African Community member states are to benefit from a USD 500 million real estate fund to be launched end of March by South African financial services company, Sanlam. Sanlam Investments CEO Johan van der Merwe said that the Company is in the process of establishing a sub-Saharan Africa real estate fund catering for commercial real estate investments in select sub-Saharan countries that leverage off the Sanlam Group footprint. He said assets chosen for inclusion in the fund will be completed assets of investment grade with little or no risk, and added that the fund created will be a traditional income fund with a core investment strategy.

Fundraising will continue in 2013, with a target of USD 100 million. The Fund will provide risk capital to developers building middle and lower-middle income residential housing in Kenya, Zambia, Tanzania, Uganda, Mozambique and Rwanda. The Sanlam sub-Saharan Africa Real Estate Fund will be listed at the Mauritius Stock Exchange. The company said it will target investors from the US and Southern Africa. The initial capital-raising process will close on March 31, with the target audience being large institutions in the savings industry.

Possible big investors include South Africa's Government Employees Pension Fund — worth USD 120 billion— which has been undertaking aggressive investment across Africa. Mr van der Merwe said the decision to launch the fund is based on high returns in most African countries and the growing economies. The fund is also part of Sanlam's pan-African investment strategy. Sanlam already has a presence in six African countries including Kenya and is listed at the Johannesburg Stock Exchange and the Namibian Stock Exchange. It also has business interests in Europe, India, the USA and Australia.

(Source: The EastAfrica, Feb 25 2013)

State-owned Indian bank gains entry for trade deals

A State-owned Indian bank has received approval to open shop in Nairobi, deepening the emerging Asian economy's interests in the country. The move comes at a time when India has risen to the position of biggest source of Kenya's imports. The banking sector regulator said that it had licensed Central Bank of India to open a representative office in Kenya, giving the Mumbai-based lender a window to tap the growing business ties between the two countries.

A representative office is limited to offering marketing and negotiating lending and trade finance deals to customers, but cannot collect deposits from the public. The representative office will also offer consulting and advisory services for Indians living and working in Kenya. Central Bank of India primarily engages in corporate, personal and investment banking.

Kenya becomes the second stop after Zambia where the bank has a partly-owned subsidiary, Indo Zambia Bank, which was incorporated in 1984. Bank officials said that Africa is part of the bank's expansion plan coming at a time when India, like her neighbour China, is increasing its trade ties in the continent. The opening of representative offices is taking place as Kenya is about to roll out massive infrastructure projects that will need major funding, most of which is expected to come from abroad.

(Source: Business Daily, Feb 19 2013)

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
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	Theme: 'East Africa the new frontier for Oil and gas exploration'. The Summit will be providing a thorough analysis of the latest oil & gas discoveries and E&P potential for the East Africa region. Speakers of the high-level conference will include Energy Ministries from across East Africa, government ministers, international oil & gas companies, geologists and regional experts.
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	InterContinental Hotel 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
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.
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.

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