



AMATHEON AGRI

# **AMATHEON AGRI TALKS RISK AND OPPORTUNITY IN SUB-SAHARAN AFRICA**

Media Coverage 25/11/2015

## I. UNITED STATES OF AMERICA, AGRI-INVESTOR, 25/11/2015



### SEARCH

 

### Amatheon Agri talks risk and opportunity in sub-Saharan Africa

by Clare Pennington on 25 NOVEMBER 2015 in Q&A

*Frank Braeken is chief investment officer at Amatheon Agri, which owns and operates businesses in Zambia, Uganda and Zimbabwe. He will speak at the Global African Investment Summit on 1-2 December. Amatheon Agri raised €30.3 million euros in September, the first tranche of a €50 million (\$55.9 million) capital raise.*

#### Can you update us on Africa agri investment and investor appetite?

Of course there is the fact that a lot of things have changed in the last year and 6 months. For some countries it is almost the perfect storm, with the China slowdown, commodities slowdown, lower oil prices, the dollar strength, the threat of an interest-rate raise, El Niño...

But a couple of facts remain unchanged: the main one is that population growth continues unabated. There will be more mouths to feed and most of these mouths will be in Africa. And Africa still imports disproportional amounts of food worth billions of dollars and that is the fundamental behind the agri story for Africa. I think the push for local agri and food production will substantially increase and we already see that happening in countries like Nigeria, where wheat import duties have been increased.

#### Can you give a brief overview of your company and investments?

Amatheon Agri has existed for close to 3 years. The strategy is very much about investing in agri and food, and is built around the philosophy of creating value clusters. Value clusters are basically a number of adjacent stages in the value-chain. It also allows you to create in-country scale, and that is important, because only with that scale can you develop the right operational capabilities.

We are all about sub-Saharan Africa, the reason being it is seen as a less crowded field. We are now mostly in Southern and East Africa because the legal system and language is more familiar, but we are looking for the right entry point into West Africa.

We have acquired three meat processors to create the Real Meat Company in Zambia and are a strong number two in meat and in processing. We have operations stretching from feed-logging, slaughtering of beef, pork, all the way to sausages, processing meat and running the butcheries in stores. It's all in the local market for the local consumer.

We are backed by a group of German and English investors. We are German, based in Berlin and listed in the Paris stock market. And the ambition is very much to build a sizeable agri and food business. We are not a fund. We don't think of 3 or 5 year time barriers for exit.

**How do you gauge investor appetite for African agri investment in light of your recent capital raise?**

<https://www.agriinvestor.com/amatheon-agri-talks-risk-and-opportunity-in-sub-saharan-africa/>

1/8

25.11.2015

Amatheon Agri talks risk and opportunity in sub-Saharan Africa - Agri Investor

Our investors' appetite remains pretty much the same. We have raised \$30 million and we are raising another \$20 million and I have no reason to assume that is not going to happen.

**Which countries and agri sub-sectors are currently most interesting?**

Take Zambia. It's in some ways one of the easiest countries to enter in Africa, but that means that the underlying assets are relatively expensive. There are other countries that are less popular or just plain difficult to enter in agri, like Nigeria. In terms of operational ease, I would definitely say where we are – Zambia, Uganda, Zimbabwe – are the easier countries, and gradually we are working into the more difficult ones.

**Are you seeing more competition to invest in assets?**

Definitely. Our sweet spot is actually in the smaller acquisitions, so we play in the consolidation game. If you look at Zambia, this was about businesses with turnover of \$10 million. Most private equity funds don't really want to and can't compete there because their modus operandi is more in the \$25 to \$50 million space.

We definitely see competition, but I think the \$25 million-plus space is really competitive. The number of companies over \$50 million is around 3,500, of which half are inside Africa, while there is a lot of capital out there looking for a purpose in Africa.

I do see a lot of opportunity. It's not so much asset auctions, which are quickly over-priced, but in small, fast-growing companies. And there are entrepreneurs who are really working on import substitution.

In our space there is Middle East and Indian capital, and increasingly American capital. Also, a lot of the investment routed through Mauritius is likely to be South African capital.

**What are the biggest risks to investing in African agri businesses today?**

Operational capability: people, systems, processes. If these can't keep pace with the speed at which you deploy investments, that is the biggest risk. It starts with finding the right team and people. Secondly, regulatory shifts. In agri, you see import and export bans. Intervention from the government into strategic grain reserves, buying and selling – all very disruptive for price setting. But I do think we as investors still tend to underestimate the operation rules of operating in Africa. You need to have the capability to manage your investment.

One of the biggest misunderstandings is that Africa needs entrepreneurs. That is a red herring. Africa is a continent of entrepreneurs. What Africa is missing is managership. It is difficult to find someone who can manage a \$20 million business, because you are only as good as your experience. So if there are limited opportunities for people to really sharpen their teeth on managing operations and managing complexity, you end up with a situation of more demand than supply. So there is a big practical challenge in finding the right people to manage your business. The first solution to this is recognising it – which many don't – and really trying to give people training opportunities.

We consolidated four small meat companies run by entrepreneurs and put in a top-notch chief financial officer who is one of those entrepreneurs. But we also now have the resources to put in a meat expert from the UK whose impact was immediately felt. It is something you can't afford if you are a \$10 million business, but that you can if you are four times as big.