

African Century Foods

Fish Farming in Africa

Active Ownership Through Turn-Around

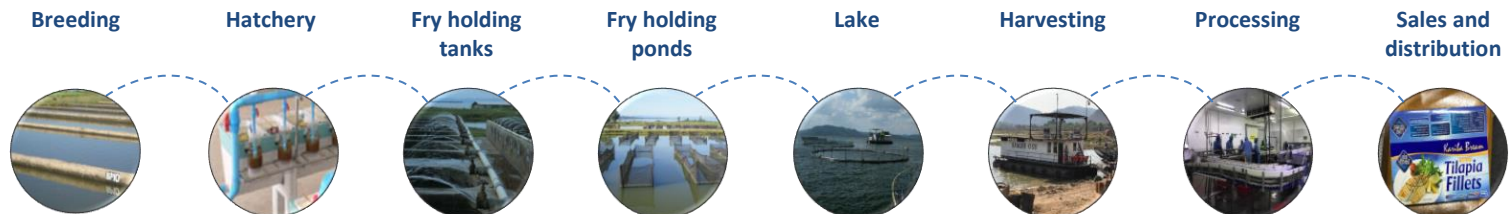


African Century Foods

Overview

- African Century Foods is a fully integrated tilapia producer with its own broodstock, two feed plants, hatchery, grow-out in lake-based cages, processing and dedicated cold chain distribution
- ACF operates from three farms:
 - Lake Harvest (Zimbabwe) and
 - Kariba Harvest (Zambia), both on Lake Kariba
 - SON (Uganda) on Lake Victoria.
 - The annual harvest volume across all three sites is 9,000t
- The products are sold through ACF's own distribution network, which consists of 34 wholesale and retail outlets across 5 countries: Kenya, Malawi, Uganda, Zambia and Zimbabwe
- The major shareholders are
 - African Century Group, a UK based investor
 - Norfund (35%)

Operations



Active ownership from loss to profit

From minus mUS 7 in 2015 to plus mUS 1 in 2017 – heading for a strong 2018

The active ownership focus areas:



Management

- Close London based head office
- New CEO, CFO and slimmer HQ set up in Harare
- Downsizing staff and number of employees
- Change in operational management
- Board competence



Strategy

- From “all inclusive” to “low cost producer”
- Focus on the key improvement areas to survive and utilize scarce management and financial resources
- From dream to reality – first thing first



Biology and cash flow

- Get a very demanding biological situation under control - learn from Norwegian Fish farming
- Downscale to reduce risk, biological pressure and improve cash flow



Refinancing

- Financial support from Norfund in the form of various financial instruments, set up with low risk and to enhance influence
- Refinancing through attractive buy out / conversion of debt
- Established balance sheet and SHA ready for strategic growth

Active ownership from Norfund

- Change of board of directors, including chair role held by majority owner who also controlled top management – a major obstacle to change
- New board members, with relevant competence given task at hand
- Infusion of equity-like cash through advanced instruments/agreement. Allowed for enhanced influence, which was used effectively to support change
- Strong and active support to change process
- Strong, and highly competent support offered to board and new management to drive change process – from Norfund Investment Staff
- Disciplined management of cash infusion, with a strong statement – if you fix this, growth can be supported later
- Long term thinking, based on demand for short term actions and improvement



Shareholders Strategic Aspiration

“The aspiration is for Lake Harvest to be the lowest cost producer of the highest quality fresh Tilapia in East and Southern Africa and to be the most recognized distributor of high quality fish related products in our chosen markets”

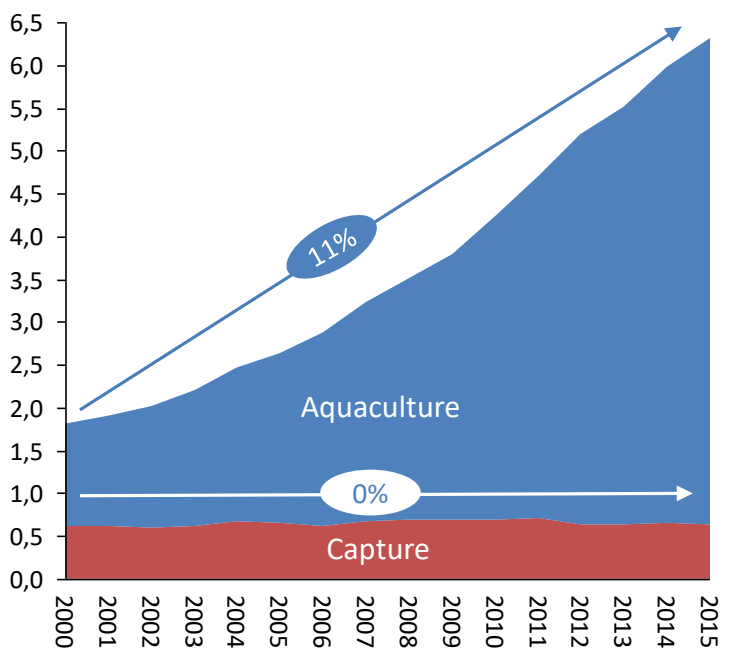
- We see a large and growing market for Tilapia in Sub Saharan Africa
- Wild catch is likely to remain flat or decline
- The climate and water quality is good for growing Tilapia in Lake Kariba and Lake Victoria
- These huge lakes offers huge room for organic growth
- African Century Foods is well positioned to capitalize on market opportunities, through strategic growth
- There are some key improvements that must be made to succeed going forward, and the most important is to achieve the aspiration of being the lowest cost producer



Continued strong growth for farmed tilapia

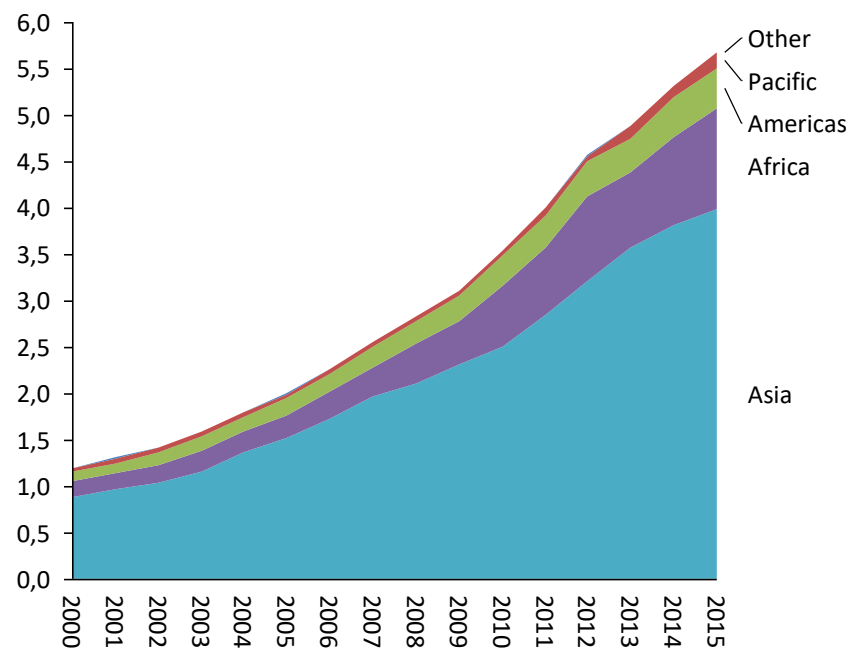
-Offers interesting opportunities for well places companies

Total Tilapia production by aquaculture and capture*



Tilapia aquaculture volumes has grown with an average of 11% per year since 2000 while capture is flat

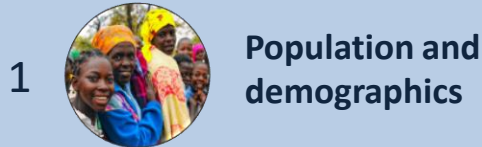
Total Tilapia aquaculture production by region*



Asia has seen the strongest growth in volumes while Africa has seen the strongest percentage growth at around 13% pa

The Tilapia Industry in Sub Sahara Africa Has Tail Wind From 5 Mega Trends – Lake Harvest well placed

Mega trends



Impact on Lake Harvest

- The population growth in the region¹ is by the World Bank over the next 20 years estimated to be the highest in the world at close to 3% pa almost doubling the population to 300m in 2038
 - More importantly for economic growth than population growth is the age dependency ratio², which in the region is expected to drop significantly, in Zambia the drop is expected to be from 90% to 75% and Uganda from 100% to 78% over the next 20 years (Europe on the other hand will increase from 54% to 70%)
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- Economic growth in Sub Sahara Africa was subdued for “the lost decades” from end of the 70’s to middle of the 90’s. The last two decades has seen the growth re-emerged, and expectations are that Sub Sahara Africa over the next decades will enjoy the fastest growth in the world, although from a low base
 - A significant part of this growth is expected to come from an emerging middle class
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- Urbanization increase economic growth and as such increase demand for fish. Per capita consumption in large cities in Africa is approximately 80% higher than national averages³
 - Urbanization today is Zambia 42%, Zimbabwe 32% and Uganda only 17%, compared to 75% in Europe⁴
 - Urbanization is expected to grow steadily in all of the countries over the next decades
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- Development of infrastructure such as efficient transportation, reliable electricity, cold storage and retail outlets is essential for getting fish to consumers
 - Significant investments are taking place with regards to improving the infrastructure in Sub Sahara Africa
 - Tilapia producers will benefit significantly by improved infrastructure
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- Protein is a key element of a healthy lifestyle and Sub Sahara Africa is today consuming a miniscule amount of proteins compared to developed countries and to what is recommended
 - Fish is considered a cost efficient and healthy source of proteins
 - Tilapia is through the virtue of being a relatively easy fish to farm in the warm climate of sub Sahara Africa specially adapted to fill the growing demand for proteins

Thank you!

