

# AFRICAN LIONS FUND



Presentation to  
Prospective Investors  
who have received a  
Private Placement  
Memorandum  
September 1, 2020

---

**Tim Staermose, Director,**  
**[tim@africanlionsfund.com](mailto:tim@africanlionsfund.com)**  
via Zoom Conference Call

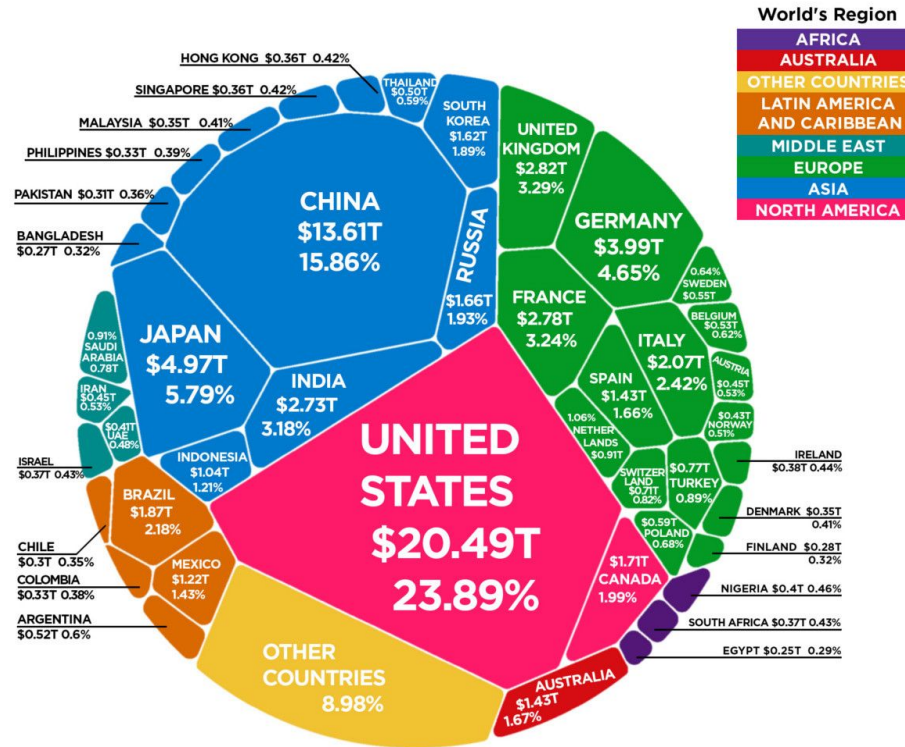
**Disclaimer:**

This Presentation is provided to you purely for information purposes. It is not an invitation or offer to purchase, subscribe to, or deal in, any security, in any jurisdiction. It is not designed to be financial product advice. Any advice contained herein whether explicit or implied is general advice only and does not take into account your objectives, financial situation or needs. You should consider whether the investment is suitable for you and your personal circumstances. Information is current when published. Circumstances can change quickly. While every effort has been made to verify factual information presented, we cannot give any representations or warranties that the information is correct.

---

Africa is Vast –  
Far bigger, in  
reality, than it  
looks on most  
maps...





**Article & Sources:**  
<https://howmuch.net/articles/the-world-economy-2018>  
<https://databank.worldbank.org>

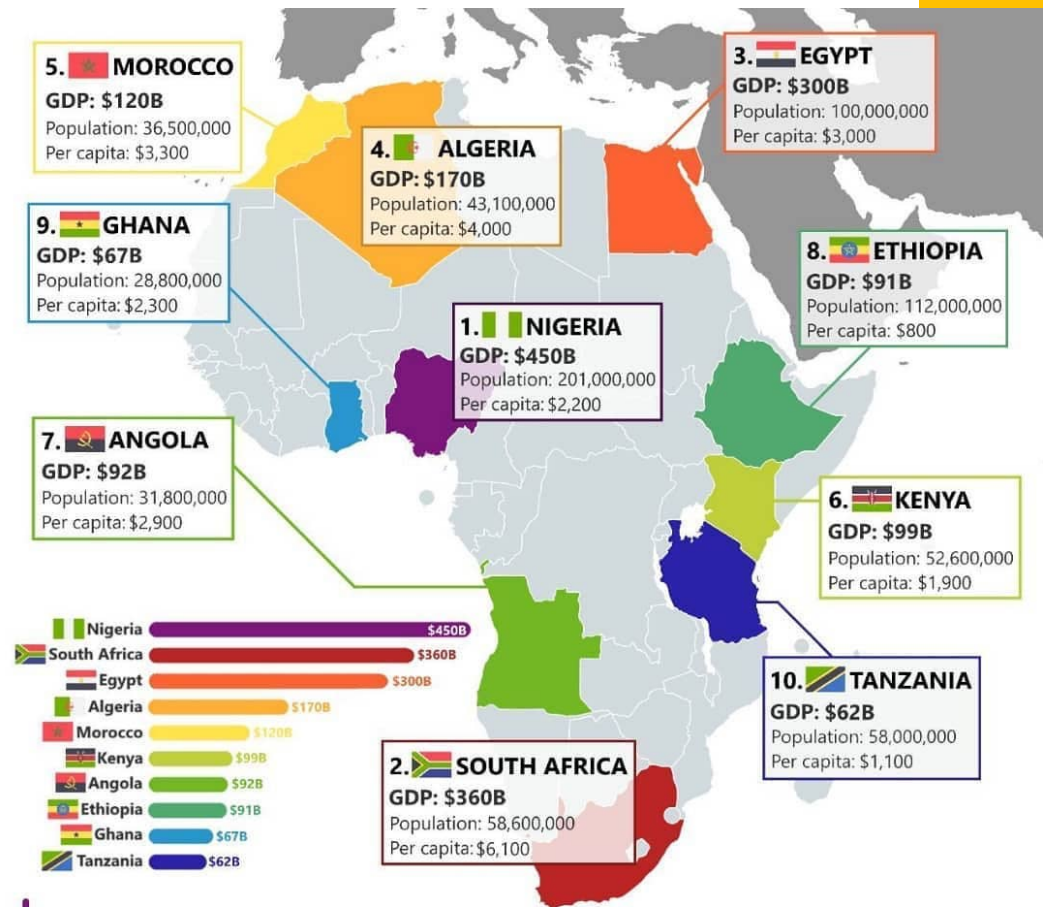
howmuch .n

But its economies are still small





These are the  
ten largest



## 10 largest economies in Africa

Source: International Monetary Fund, 2019  
United Nations, 2019 population

@nerdy.maps

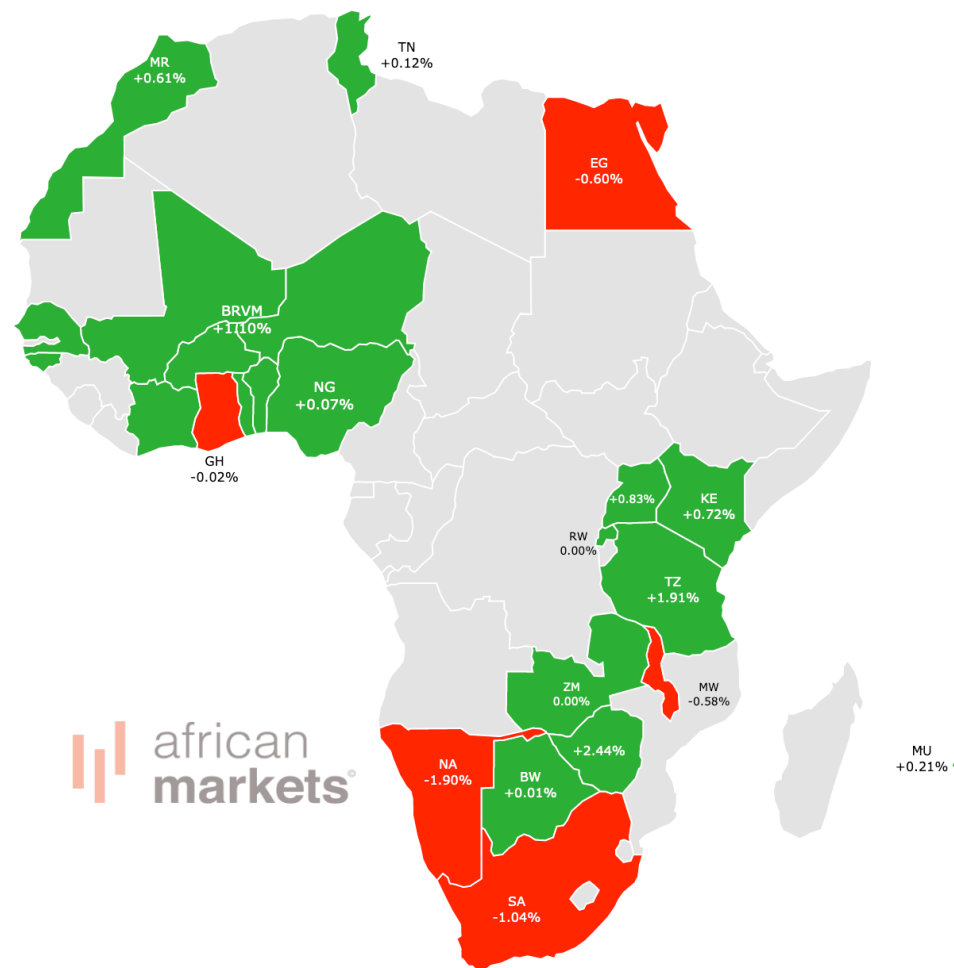
Africa's  
economies are  
growing fast...

- *(Data: IMF)*

Country	2018 (%)	2019 (%)
Ethiopia	7.5	8.5
Côte d'Ivoire	7.4	7
Rwanda	7.2	7.8
Senegal	7	6.7
Ghana	6.3	7.6
Benin	6	6.3
Kenya	6	6.1
Uganda	5.9	6.1
Burkina Faso	5.9	6
Guinea	5.8	5.9
Tanzania	5.8	6.6

# Not every African country has a stock market

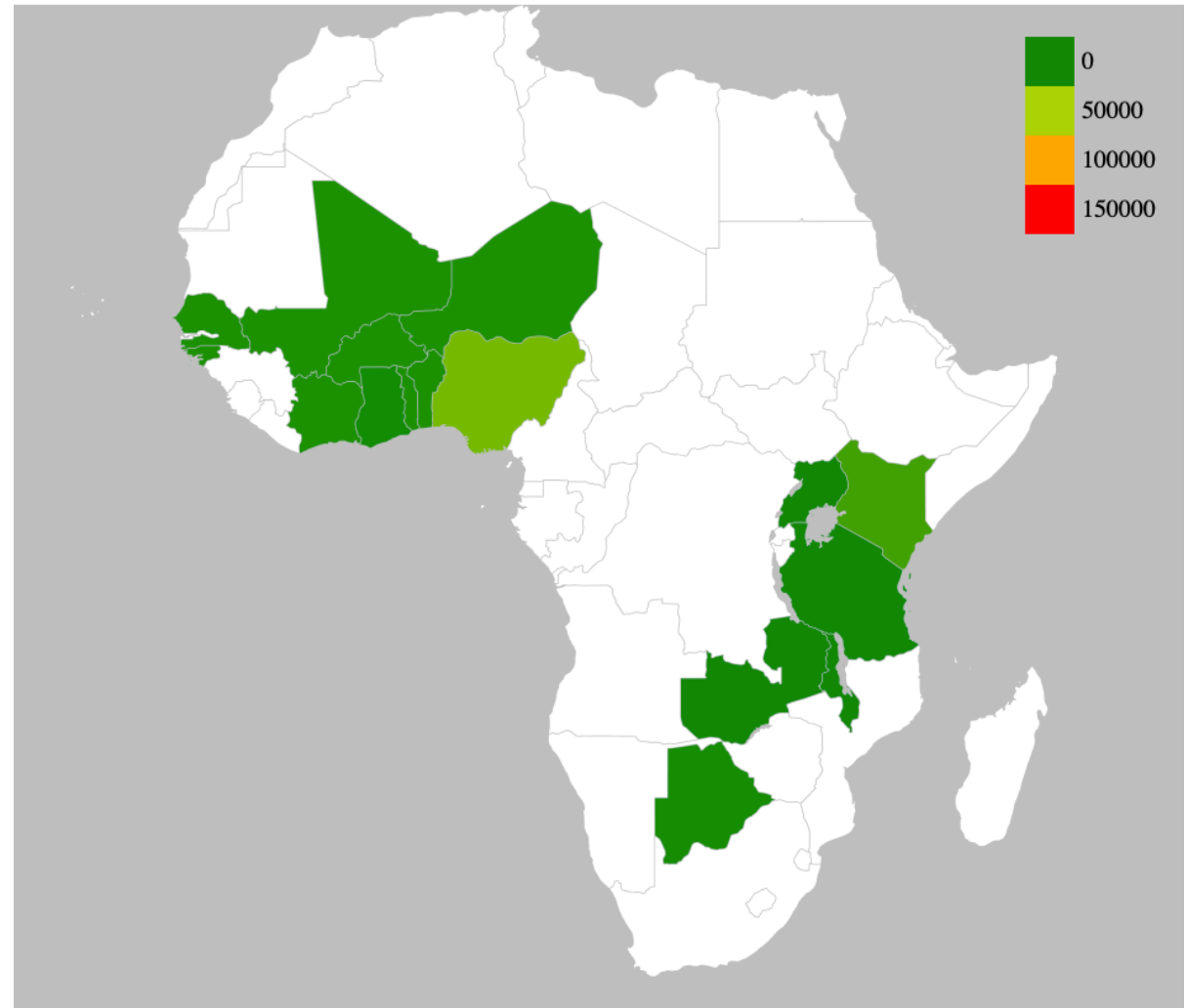
- Africa has 54 nations.
- There are 24 countries, with 17 active stock markets.
- The West African Union (BVRM) has one market for 8 member countries.



These are the countries in the African Lions Fund universe, plus Mauritius and Namibia.

---

## Sub-Saharan Africa Frontier Stock Markets



There are 496 companies with a combined US\$82 billion market value in our universe at present

Country	Mkt Cap USD mn	Listed companies	Percentage
Benin	\$ 6,915.92	45	8.4%
Botswana	\$ 4,866.34	29	5.9%
Burkina Faso	\$ 6,915.92	45	8.4%
Côte d'Ivoire	\$ 6,915.92	45	8.4%
Ghana	\$ 3,558.09	36	4.3%
Guinea-Bissau	\$ 6,915.92	45	8.4%
Kenya	\$ 18,231.17	62	22.2%
Malawi	\$ 2,287.20	16	2.8%
Mali	\$ 6,915.92	45	8.4%
Mauritius	\$ 6,695.15	87	8.2%
Niger	\$ 6,915.92	45	8.4%
Nigeria	\$ 34,033.66	162	41.5%
Rwanda	\$ 426.84	4	0.5%
Tanzania	\$ 2,759.31	22	3.4%
Togo	\$ 6,915.92	45	8.4%
Uganda	\$ 1,159.02	9	1.4%
Senegal	\$ 6,915.92	45	8.4%
Zambia	\$ 1,144.43	24	1.4%
	\$ 82,077.11	496	100.0%

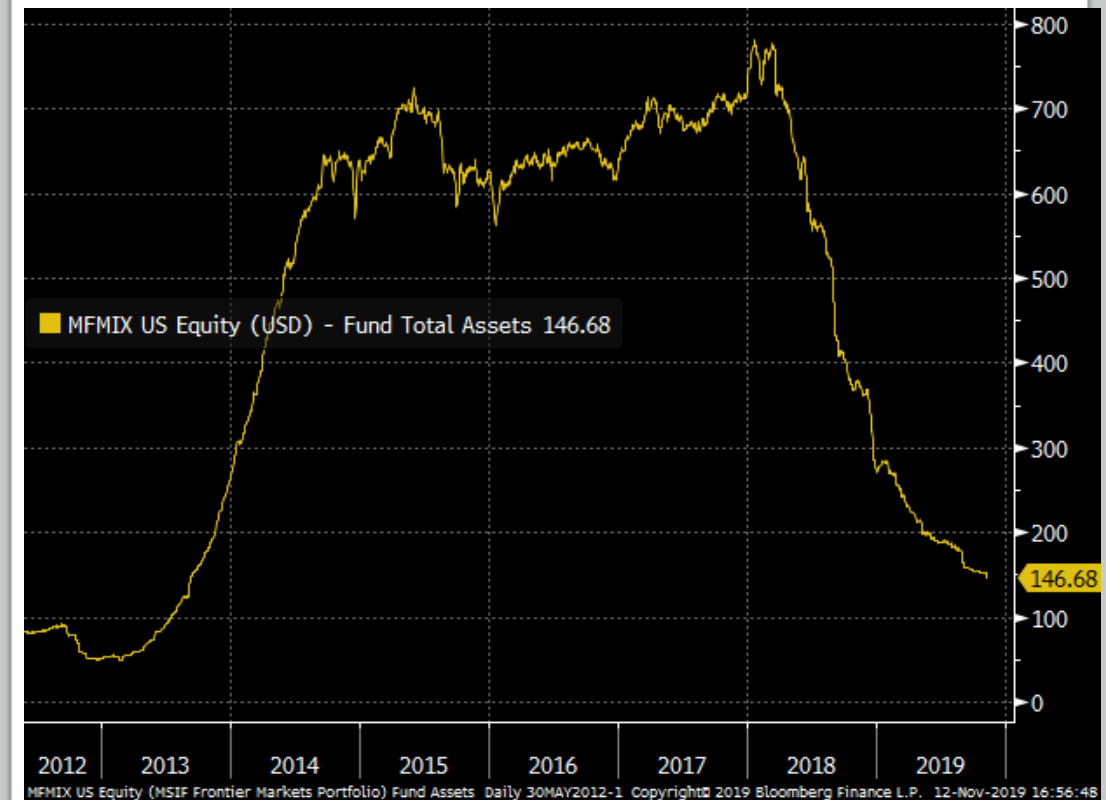


## That's tiny. Compare it with the Mkt. Caps of ...

- American Express – US\$81.8 bn
- Commonwealth Bank of Australia – US\$89.0 bn
- Diageo PLC – US\$79.8 bn
- HSBC Holdings – US\$89.5 bn
- Deutsche Telekom – US\$83.0 bn

One reason: Money has been pouring out of Frontier Market funds for the past few years

- After peaking at nearly US\$800 million under management in early 2018, for instance, the Morgan Stanley Frontier Portfolio fund saw huge outflows.
- The chart is from late 2019.
- The trend has continued since. As of August 31, **just US\$65.6 million was left** in this fund.



UPDATE: Money kept pouring out; but may finally have stopped...

- An investor in our fund kindly sent me an updated chart, after our 1 Sep, 2020 Presentation, You can see that finally, the outflows from this fund may have stopped.



 <p><b>ELECTION 2020 UNITY</b> Opposition divided over presidential flag bearer in 2000 <b>P4</b></p>	 <p><b>HEALTH WELLBEING</b> How yoga heals your whole body, mind <b>P10</b></p>	 <p><b>BUSINESS YIELDS</b> NMB shareholders to pocket Sh48bn in dividends <b>P15</b></p>
--	--	---

## Shock, surprise as DSE records zero trading

The bourse, which is yet to recover from the losses ignited by the Covid-19 pandemic, traded govt securities valued at Sh16.7 billion on Friday - but it did not have any activity on the equities counters. **STORY ON PAGE 2**



## Why pump prices may start rising from August

FULL STORY ON PAGE 2



In Tanzania, the prices of petroleum products were slashed to ten-year lows effective last Wednesday to reflect declining global prices. Ewura - which regulates the local fuel prices - cut petrol and diesel prices by 28.65 percent and 16.25 percent respectively. Kerosene prices remained unchanged.



## EABC calls for changes in customs duties in bloc

By Zephania Uwani

Arusha. A raft of changes have been proposed for customs duties on imported goods into the East African Community (EAC) bloc.

The changes, announced last week, are aimed at promoting local production, thereby increasing locally-manufactured products.

Continued on page 3

## ACT, Chadema signal cooperation bid

Story on Page 2

Investor apathy toward many African equity markets has reached extreme levels.

- As you may have seen on my [globalvaluehunter.com](http://globalvaluehunter.com) blog, there was even a day in early June when the Dar es Salaam Stock Exchange in Tanzania recorded zero trades.
- This is what happens at market bottoms. There is simply no one left to sell.

# Investors may be shying away from buying their shares, but Tanzania's blue-chip companies are reporting excellent earnings in 2020



## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

### CHAIRMAN'S STATEMENT

Despite strong competition in the cement manufacturing industry and uncertainties brought about by COVID-19, Tanzania Portland Cement Public Limited Company (TPC PLC) delivered a strong operating result when compared to the year 2019. Turnover and sales volume increased by 7% and 8% respectively.

The operating performance of the plant and availability of the machinery was good, ensuring clinker production level higher than year 2019, all within an environment where the Health and

Safety of our employees and contractors is paramount. The continued focus on delivering excellent customer service, the selling of high quality products, and the belief in maintaining strong customer relationships enabled TPC PLC to again demonstrate its strength as the leading player in the industry.

### Prospects

The cement demand in Tanzania and in the East-African region has been growing steadily in recent years. TPC PLC is well placed to meet this growing demand and will continue to work to maintain its market leadership and position.

### Appreciation

The Board would like to thank all its stakeholders for their support during this difficult period. We have every confidence that TPC PLC will continue to deliver value for the shareholders and community in the future.

BY ORDER OF THE BOARD

Hakan Gurdal

INCOME STATEMENT	JAN - JUN 2020	JAN - JUN 2019
	TZS'000	TZS'000
Revenue	181,454,388	160,786,649
Cost of sales	(113,688,511)	(101,222,624)
<b>Gross profit</b>	<b>67,765,877</b>	<b>59,564,025</b>
Other operating income	2,278,447	557,566
Selling and administrative expenses	(1,585,357)	(1,394,806)
Administrative expenses	(9,315,110)	(8,555,282)
Depreciation and amortisation	(8,626,083)	(9,786,410)
Other operating expenses	(1,467,018)	(1,689,277)
<b>Operating profit</b>	<b>49,050,756</b>	<b>38,695,816</b>
Financial items	1,585,255	(1,106,328)

- Here's my own biggest holding, Tanzania Portland Cement:
- **1H2020 sales were up 12.9% versus 1H2019**
- **Net profits rocketed 33.4%**
- The company is debt free, and funding a \$30-million expansion from internal cash flow

## H1 2020 Income statement analysis



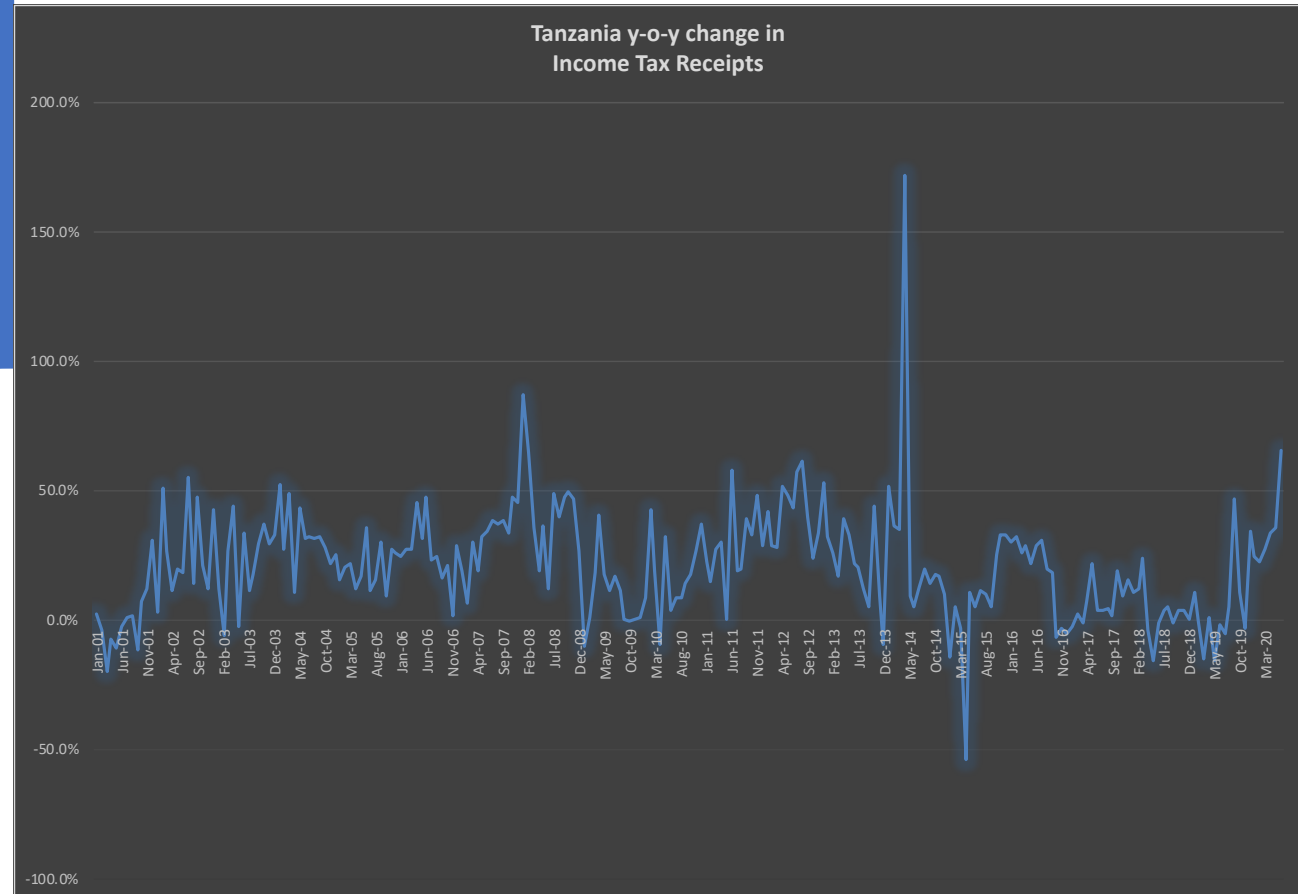
Figures in TZS billions	YTD	YTD	Δ TZS	Δ %
	Jun-20	Jun-19	YoY	YoY
Interest Income	335	307	28	9%
Interest Expense	(67)	(64)	(3)	5%
Net Interest Income	268	244	25	10%
Non-interest Income	119	100	19	19%
<b>Total income</b>	<b>387</b>	<b>344</b>	<b>44</b>	<b>13%</b>
Impairment	(48)	(59)	11	(18%)
Operating Expenses	(205)	(204)	(1)	(1%)
<b>Operating Profit before Tax</b>	<b>134</b>	<b>81</b>	<b>53</b>	<b>65%</b>
<b>Operating Profit after Tax</b>	<b>94</b>	<b>57</b>	<b>37</b>	<b>65%</b>
Cost-to-Income Ratio (CIR)	53%	59%		
NFI/ Total Income	31%	29%		


- **Total Income grew 13% YoY** due to increase in net-interest income (10%) and non-interest income (19%).
- **Disciplined cost-management efforts have continued to pay out**, with a slight 1% YoY increase in Operating Expenses.
- **12% positive cost-to-income JAWS and improvement in Cost-to-Income ratio to 53%.**
- **Loan Impairment has decreased** by 18% YoY due to enhanced loan portfolio management and loan restructuring following BoT relief measures to cushion impact of COVID-19.
- **H1 2020 Profit After Tax of TZS 94 Billion, 65% YoY growth.**

## Just yesterday, I was on the NMB Bank Tanzania 1H2020 Earnings Presentation Call

- They're growing profits even faster than Twiga Cement, UP 65%!
- Tanzania never shut down for Covid-19 and seems to be suffering no adverse consequences... it may end up the fastest growing economy in the world for 2020

It's not just the companies, but the economy too. Look how rapidly the Tanzanian government's income tax take has been growing lately....





**N\$3 098 million**  
REVENUE  
2018: N\$2 687 million  
+15.3%

**N\$652 million**  
OPERATING PROFIT  
2018: N\$613 million  
+6.3%

**450.8 cents**  
EARNINGS PER SHARE  
2018: 192.6 cents  
+134.1%

**946.7 cents**  
NET ASSET VALUE PER SHARE  
2018: 785.8 cents  
+20.5%

**50 cents** (ORDINARY)  
**121.05 cents** (SPECIAL)  
FINAL DIVIDEND DECLARED PER SHARE  
2018: 46 cents (ORDINARY), 193.67 (SPECIAL)

**32%**  
RETURN ON ASSETS  
2018: 29.67%  
+8%

**+13.8%**  
TOTAL VOLUMES SOLD  
2018: -5.5%

**2.60%**  
TOTAL VOLUMES EXPORTED EXCL SOUTH AFRICA  
2018: 4.7%

**35%**  
LOCAL PROCUREMENT SPEND  
2018: 37%

It's not just in Tanzania good companies are forging ahead...

- Namibia Breweries is one of the many high-quality businesses on my watch list of stocks to buy at the right price.
- This is a company with a proud 100-year heritage.
- In 2019, sales rose 15.3% on volume growth of 13.8%.
- Operating profits were up 6.3%, but **net profits surged 133.9%**, on the back of a huge contribution from the Heineken South Africa royalties. (Namibian Breweries made a canny 25% direct investment in Heineken South Africa back in 2003.)
- **Return on average assets was an astounding 32%.**



In tiny Rwanda, Bank of Kigali Group is a GIANT... and still growing fast, with double-digit net income growth for the first half of 2020



Kigali, August 28<sup>th</sup>, 2020

**BK Group Plc Announces Reviewed, IFRS-Based Q2 & 1H 2020 Results**

**CONSOLIDATED RESULTS - REVIEWED**

	1H 2020		Change
	FRw (bn)	US\$ (mln)	Y-o-Y
Total Operating Income (Revenue)	64.6	68.1	8.5%
Total Recurring Operating Costs	23.0	24.3	(2.7%)
Pre-Provision Operating Profit	41.5	43.8	15.8%
Net Income	16.1	17.0	10.6%

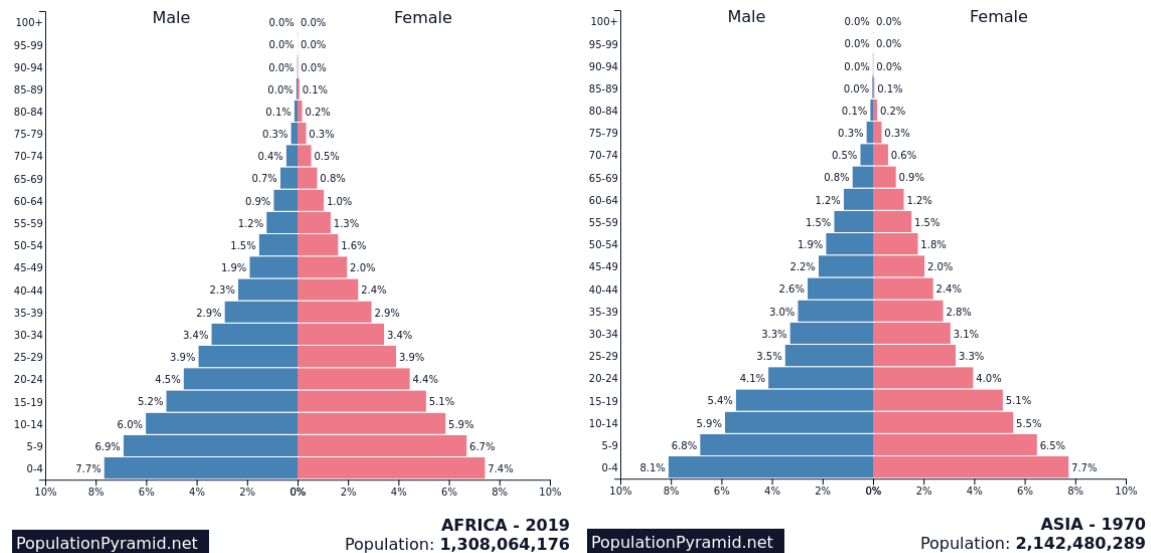
Already I have a short-list of stocks to buy

- Orange are stocks we can buy in other frontier markets (up to 10% of the fund)
- Green are buys
- Yellow are ones that need to fall a bit in price first
- Red are stocks that may be too illiquid for the fund but I am monitoring for changes

Name	Full Ticker	Debt / Equity Unlevered	ROIC	P/B	Div Yield	Net Debt / Total Capital	
			ROA				
		13.2%	119.2%	229.6%	17.53	10.0%	-5.7%
		0.0%	36.7%	96.9%	13.30	6.9%	-10.4%
		28.6%	43.4%	75.7%	4.22	13.1%	-18.0%
		16.9%	49.9%	60.5%	7.76	5.1%	-0.2%
		1.9%	30.4%	52.7%	3.38	10.2%	-4.9%
		2.2%	23.2%	36.0%	2.86	6.4%	-2.3%
		3.0%	15.7%	24.6%	1.19	9.2%	-42.2%
		10.2%	17.4%	24.4%	2.55	3.9%	-24.1%
		7.7%	11.0%	21.8%	0.43	3.5%	-65.2%
		0.0%	16.9%	19.4%	1.03	2.0%	-10.5%
		15.1%	14.5%	16.5%	1.10	13.2%	-3.0%
		21.8%	10.6%	15.8%	0.49	14.4%	-2.2%
		0.0%	10.1%	14.7%	2.06	2.1%	-1.7%
		23.8%	10.4%	14.6%	0.89	8.3%	-2.1%

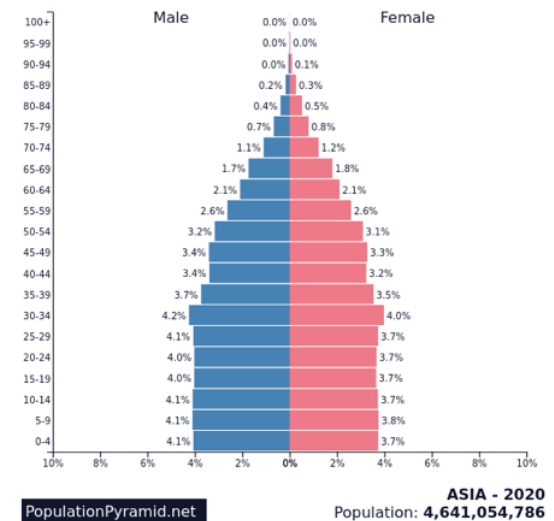
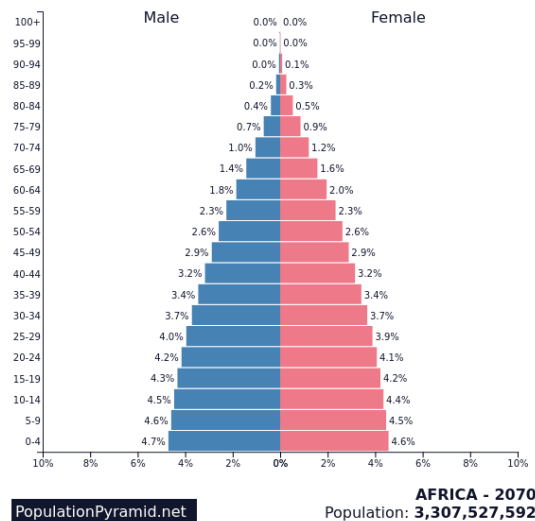
# In addition to great current performance, the long-term growth prospects for Africa are excellent due to demographics

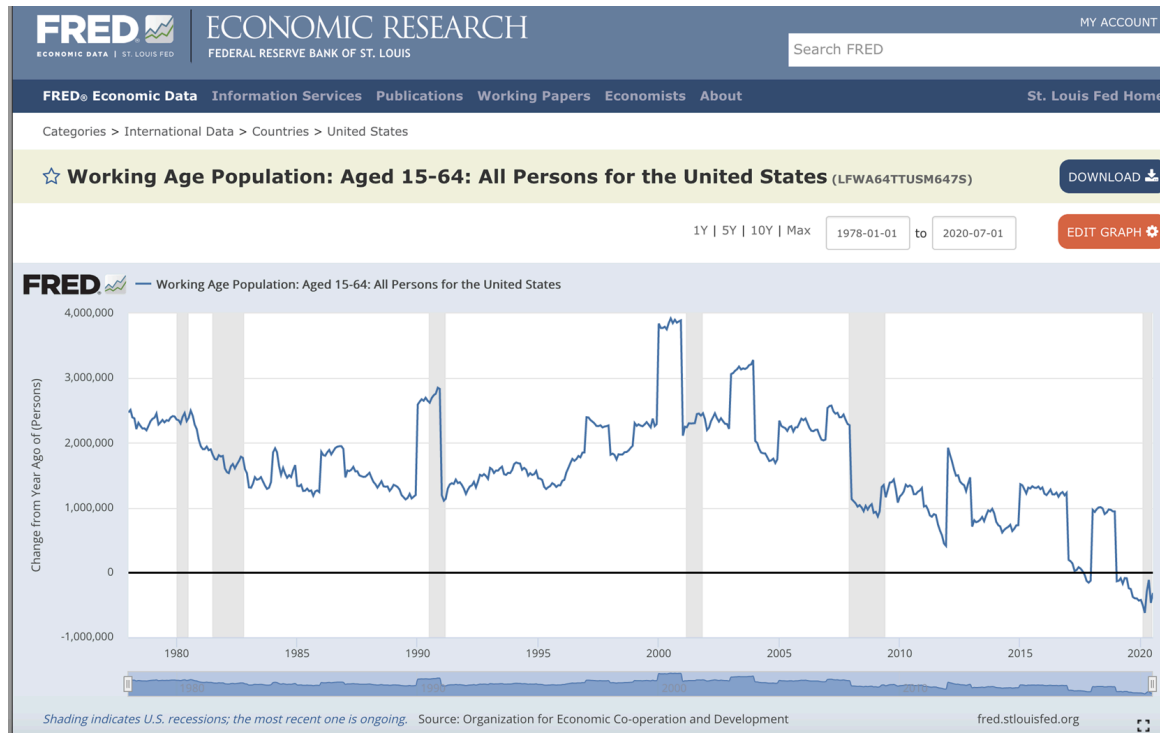
- Note the uncanny similarity between Asia's population pyramid in 1970 and that of Africa in 2019.
- Over the next two generations, Asia's working age population nearly tripled from 973 million to 2.8 billion.
- It unleashed an economic boom the likes of which the world had never seen
- Now it's Africa's turn...



Again, Asia today looks a lot like Africa is projected to look in 2070.

- Africa will have a much smaller proportion of dependent children over the coming 50 years and many more people in their prime working and consuming years.
- By 2040 Africa is projected to boast the largest labour force in the world—1 billion workers strong—more than China and India combined, as they are now ageing.



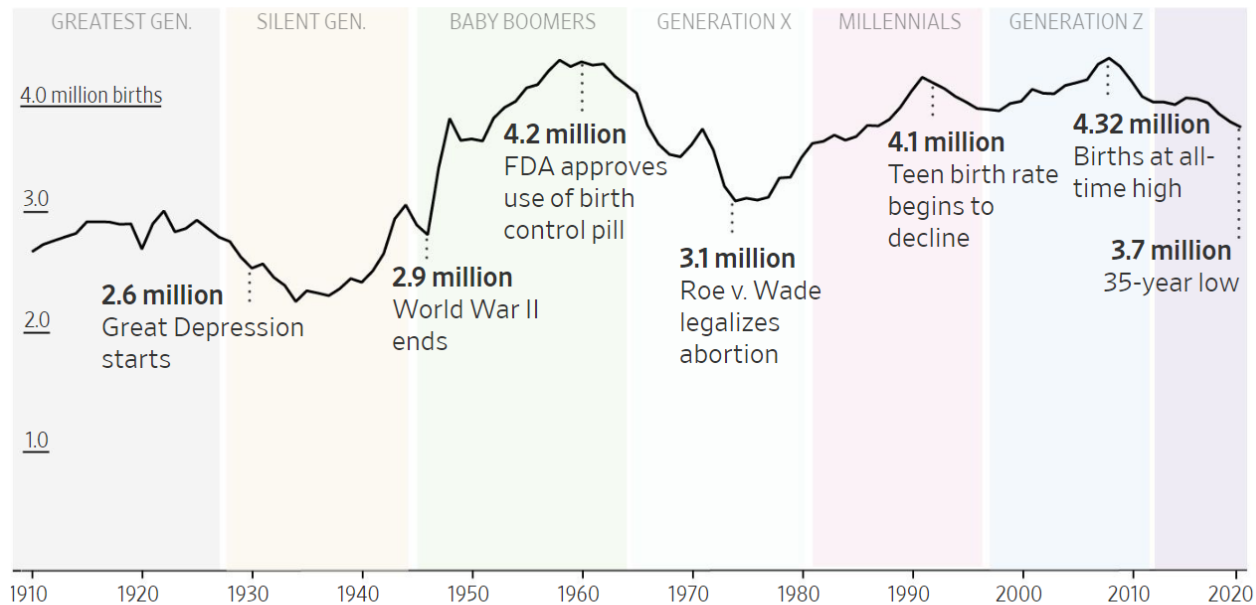


# Even the USA has started to shrink

- The working age population has just begun declining year on year... as you can see on the bottom right hand side of the chart
- This is unprecedented in modern times, and is ushering in a new era where Africa will account for a bigger and bigger portion of the world's workers

## Baby Bust

After peaking in 2007, births in the U.S. have decreased for 11 of the last 12 years.



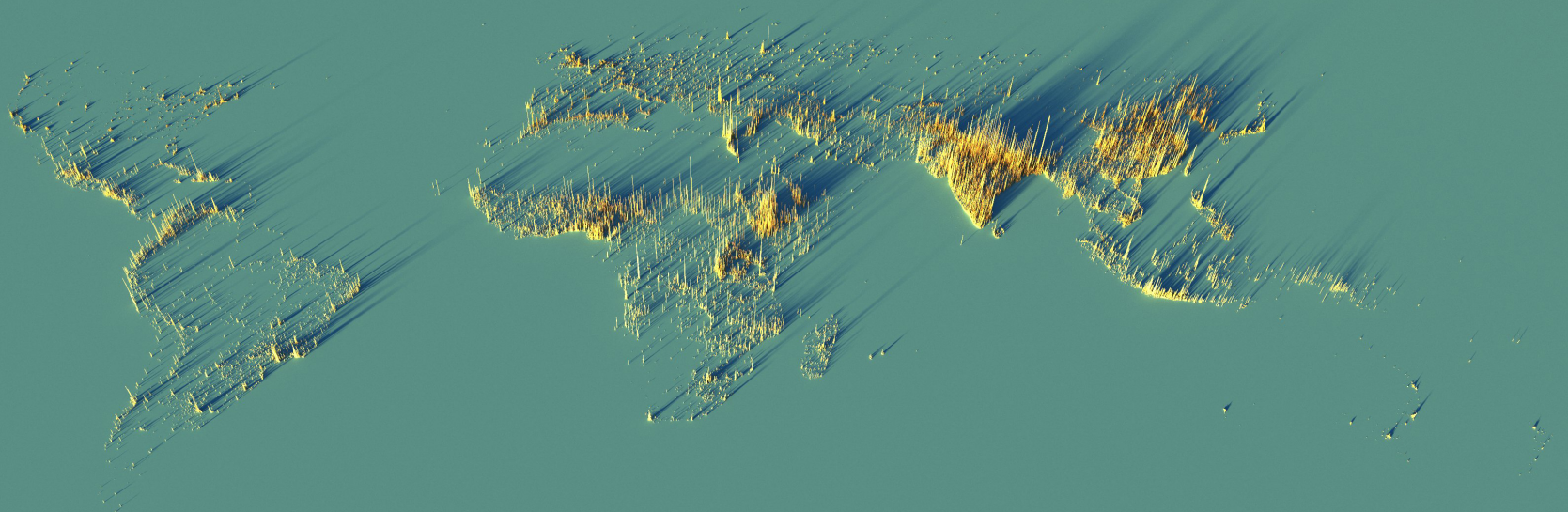
Source: Centers for Disease Control and Prevention

And there's no way it's going to change. The USA has experienced a "baby bust."

Increasingly, the population density of Africa's equatorial regions will begin to look like Asia

## Global Population Density

The height of the spikes relates to the number of people living in an area - roughly 2km x 2km



Data: GHS\_POP\_EU  
Software: Aerialod  
Author: Alasdair Rae

## I've seen how this movie plays out, in my nearly 40 years of living and working in Asia

As a child, I lived in Singapore, from 1981-1983. Had my parents bought even a modest condo or invested in Singaporean stocks back then, I don't think I'd be here giving this presentation.

I remember going to Malaysia for holidays. It was poor and undeveloped. Today it is unrecognizable, with the Kuala Lumpur skyline among the world's most famous.

When I first went to South Korea as a young man in 1993 it was a bustling middle-income economy. Today one generation later **it is rich**... one of the most technologically advanced countries on the planet.

Shenzhen went from a sleepy fishing village to a modern metropolis inside one generation.



## Will Africa be exactly the same? Of course not

- It will write its own chapters in the history of the world's economic growth and development
- But I'm seeing a glass half-full
- Things are going from bad to less bad
- And from good to better
- **Growth assets in Africa are categorically cheap right now.** It's time to put the wind at your back, and allocate a part of your portfolio to this vast and exciting continent...

- African Lions Fund is your trusted partner to help you realize your share of Africa's growing investment pie
- The time to invest is *now*, while the world is not paying attention.
- While bargains are plentiful.
- While everyone is focused on the risks of a high US stock market, a global pandemic, and seeing Africa's glass as half-empty.

## I think this could be an intergenerational wealth creation opportunity...

- To make big profits in investment markets, you need a **non-consensus view**.
- You need **conviction to make a meaningful commitment of capital**
- And **you need to be right**.
- Everything I'm seeing in Africa now, makes me think we've got that lion by the tail.

With that, I'm going to turn it over for questions,  
and explain more of the mechanics of the African Lions Fund...

Thank you!  
[africanlionsfund.com](http://africanlionsfund.com)

