

For immediate release

PHATISA AND PARTNERS ACQUIRE SOUTHERN AFRICAN AGRICULTURAL SOLUTIONS PROVIDER FES

22 April 2020

Phatisa Food Fund 2 (PFF 2) and a group of co-investors – Norfund, Mbuyu Capital and DEG – have acquired integrated agricultural solutions provider Farming and Engineering Services Limited (FES). The investment will support FES's long term growth strategy, assisting the company to expand its successful business model to neighbouring countries.

FES, established in Malawi in 1967, caters for a broad customer base of commercial and emerging farmers. It is the single largest investor in Malawi's agricultural equipment industry and the sole distributor of several well-known and trusted brands, including Massey Ferguson, Komatsu, AJ Power and Toyota Forklift. The company provides a wide range of high-tech agricultural solutions including precision and low-till farming; drone technology for crop analysis and crop protection; irrigation systems including water management solutions; and contracting services. AgriLab, an FES initiative, is Malawi's first independent soil- and leaf-testing facility which allows farmers to test, manage and control their soil, leaf and water quality. This initiative contributes to improved yields and crop quality, increased revenue and reduced input costs.

FES's impact objectives of mechanising African agriculture, ensuring food security and enhancing farmer profitability are aligned with the UN Sustainable Development Goals. Located in a region where resources are limited and input costs high, FES has expanded its offering to include a comprehensive range of climate-resilient precision agricultural solutions.

As part of the new owners' expansion strategy, FES is acquiring (subject to normal conditions precedent) the business assets of agricultural equipment supplier BHBW Zambia. On the back of this, AGCO has agreed to award FES the Massey Ferguson and Challenger franchises for Zambia. FES intends to replicate its successful model of equipment dealership with precision contract farming and other agricultural solutions in Zambia.

The consortium bought the FES stake held by Phatisa's inaugural food fund (African Agriculture Fund) while the company's management maintained their shareholding.

Lize Lübbe, deal leader for Phatisa, commented: 'We are excited about FES's growth prospects into new markets. PFF 2 is backing a proven management team who are pushing the boundaries of technology and professionalism in the region's agricultural sector. Apart from the regional expansion, new product offerings such as the nascent drone operation and the agricultural lab will lay the foundations for the future and keep FES at the forefront of its industry.'

Olav Akrawi, Senior Associate – Scalable Enterprises at Norfund, said: 'FES is a world-class operation in a developing country. This investment is fully in line with Norfund's mandate to support economic growth and development impact in these countries. We look forward to being an active, strategic minority investor in FES and supporting its regional growth ambitions.'

Michiel Timmerman, Managing Partner of Mbuyu Capital Partners, noted: 'FES is a leader and innovator in bringing precision-farming and agritech to Africa. New product development and expansion in the region can be expected to benefit the company's growth as well as its customers, including smallholder farmers, by increasing yields, optimising use of inputs and improving climate resilience.'

Christof Gross, Vice President – Africa Equity at DEG, added: 'DEG supports FES's vision to mechanise agriculture in developing African economies through increased access to yield and productivity enhancing equipment. From improving local farming practices to contributing to food security, our investment will have positive developmental effects.'

Mike Aldworth, Group Managing Director of FES, stated: 'This transaction is a vote of confidence in the entire FES team. Over the years we have evolved from purely an equipment supplier to an integrated agricultural solutions provider that continuously looks at ways to expand our offering to assist our clients. With the support of our new partners, FES looks forward to the new growth chapter that awaits us.'

-ENDS-

About Phatisa

Phatisa is a sector-specific African private equity fund manager located in and operating across sub-Saharan Africa. The firm currently has three funds under management, totalling more than US\$ 400 million, focused on food and affordable housing. Phatisa comprises a team of over 37 dedicated staff and a solid track record of managing private equity funds and commercial businesses throughout the continent. We speak 33 languages and represent 11 nationalities. Phatisa's vision is to be the leading sector-focused development equity (DevEq) fund manager in Africa. This philosophy finds expression in the unique formula of DevEq = PAT* $x + i^2$ ™; a balanced blend of private equity and development finance, striving to build sustainable assets and communities, while ensuring the best possible returns for investors. www.phatisa.com

With US\$ 367.5 million in capital commitments across two food funds, the portfolio consists of seven companies, one subsidiary fund and three exits completed, amounting to a footprint across 17 countries. Phatisa's impact objectives for our food investment portfolio are directly aligned with eight SDGs. Highlights from investment to the end of Q4 2019 include:

- **SDG 1: No poverty** – raised and investing US\$ 367.5 million in food related businesses in Africa through AAF and Phatisa Food Fund 2.
- **SDG 2: Zero hunger** – produced > 3.5 million tonnes of food and food related products in Africa.
- **SDG 5: Gender equality** – impacted > 18 500 female employees and beneficiaries directly.
- **SDG 8: Decent work and economic growth** – impacted > 85 000 smallholder farmers and micro small and medium enterprises linked to Phatisa food and food-related investment portfolio and associated technical assistance projects.

- **SDG 12: Sustainable development** – 100% of portfolio companies have environmental, and waste management policies and 63% have implemented recycling initiatives.

About Norfund

Norfund is the Norwegian Investment Fund for Developing Countries. Established by the Norwegian Parliament in 1997, the institution is the government's main instrument for combatting poverty through private sector development. Norfund's mission is create jobs and improve lives by investing in companies that drive sustainable development. Funding is provided via capital allocations from Norfund's development assistance budget. Norfund provides equity, other risk capital, and loans to companies in selected countries in Southern, Eastern and Western Africa, South-East Asia and Central America. With a committed portfolio of US\$ 2.8 billionn, Norfund invests in four business areas: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure. Further details on Norfund can be found at: www.norfund.no

About DEG: More than finance

For almost 60 years DEG has been a reliable partner to private-sector enterprises operating in developing and emerging-market countries. We provide our customers with tailor-made solutions, including financing, promotional programmes and advice tailored to individual needs. They can thus develop successfully and sustainably, while generating local added value and creating qualified jobs. With our portfolio of around EUR 9 billion in approximately 80 countries we're one of the world's largest private-sector development financiers. Learn more: www.deginvest.de

About Mbuyu Capital

Mbuyu Capital is a specialist Africa private markets investor, managing segregated accounts of co-investments and funds for institutional investors. Co-investments are focused on agri-business, non-bank financial services, logistics & distribution and healthcare, which present attractive opportunities for financial return as well as impact, by creating jobs, improved food security, access to finance and greater health and well-being. Mbuyu Capital's partners bring African operating experience, African impact business start-up and over 50 years' institutional investment experience, in Africa and globally, to bear on making and managing investments for the Firm's clients. www.mbuyucapital.com

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