


PearlMutual presents
Consulting Limited

Shea Nut Company

POSITIONING TO BE THE MARKET
LEADER IN THE WEST AFRICAN SHEA
INDUSTRY



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COMPANY OVERVIEW

1

Shea Nut Company is a limited liability company that was incorporated in Nigeria on the 23rd of January 1971. They primarily engaged in commodity trading activities. They commenced processing operations (shea nut to shea butter) in 2017. Today the company is valued at N6bn or \$14.6mil

2

Shea Nut Company is a top player in the industrial processing of shea nuts in Nigeria with an annual production capacity of 27 000 MT. The Company also has a 21 000 MT/annum edible oil refinery.

3

Shea Nut Company has a commercial complex valued at N 3.1bn in Lagos which houses several blue-chip clients, including a 4700 MT cold room facility generating other income of N 300 million per annum

4

Growth was largely driven by export sales of shea butter which accounts for approximately 69 of total revenue and rental income from the investment property.



TRANSACTION FEATURES



Opportunity

- To invest \$1.2 million (N600m) in a Shea Nut Company currently valued at \$14.6mil (N6bn).
- Investment type = 10% Equity in business pre-dilution.



Use of funds

- Install a 21,000MT/annum refinery
- Retrofit existing shea butter processing facility to boost operational efficiencies
- Working capital for the purchase, processing and exporting of shea nut as shea butter



Investment case

- Large export market potential due to growing demands in global cosmetic and confectionary industry
- Shea Nut Company is a lead exporter in Nigeria
- Prime customer base with connections in Europe, Asia and USA
- Opportunity to increase domestic market penetration and increase profitability (projected increase in EBITDA margin to 29)



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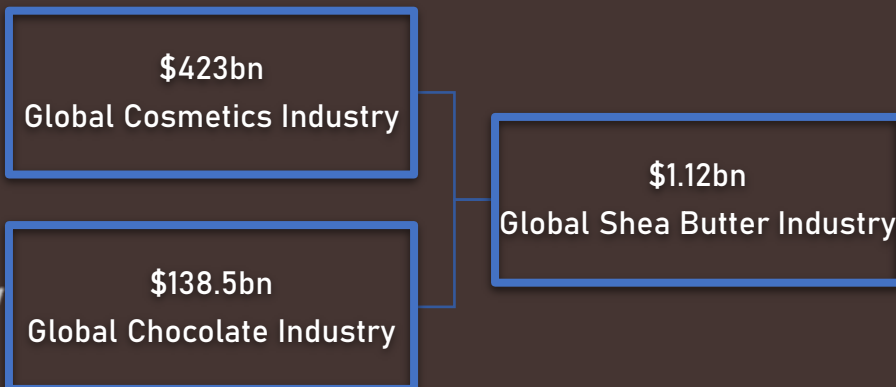


INDUSTRY OVERVIEW

GLOBAL DEMAND FOR SHEA BUTTER

Following the EU's approval of the use of shea as a cocoa butter in 2012, the demand for shea butter in the global chocolate and confectionery industry has grown steadily. Shea butter is a cheaper alternative fat source for chocolate production as it trades at a discount of 30-50% relative to the price of cocoa butter.

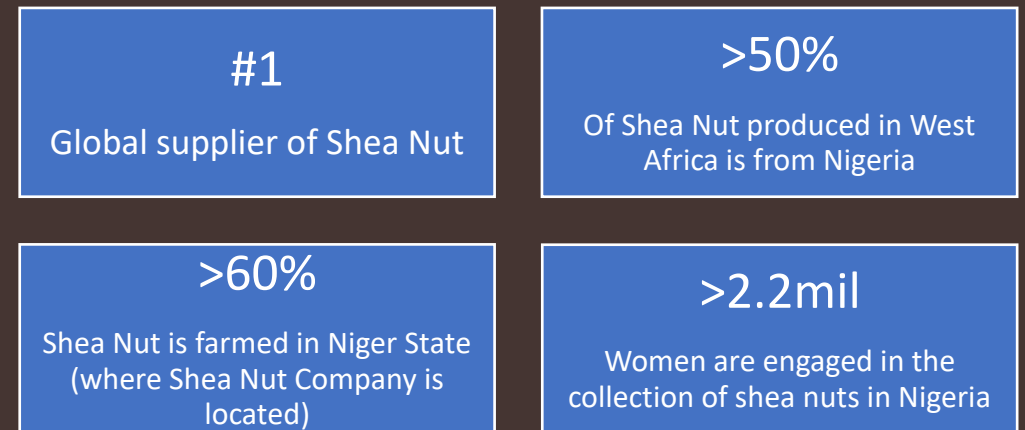
The global shea butter market is currently estimated to be worth \$1.12 billion. According to projections, its value will reach \$2.9 billion by 2026. Due to the increased demand for shea butter in the production of confectionaries and cosmetics, the price for shea nuts and shea butter has also increased progressively.



LOCAL SHEA BUTTER SUPPLY

In addition to having the highest number of shea trees in Africa, Nigeria also has the highest percentage of shea trees with high stearin content. Nuts with high stearin content are internationally preferred, as stearin is used in the production of chocolate.

70% of Nigeria's landmass has the potential to producing shea nuts, however, only 50% of the available nuts are farmed due to low local demand. Nigeria is yet to fully harness its shea butter production potential.





GDP
Growth
Rate
5%

Inflation
17.38%

Exchange
Rate
NGN/USD
N410

Interest
Rate
11.5%

Foreign
Reserve
\$33.2b

Crude Oil
Price
c. \$77.34
/bpd

Foreign
Direct
Investment
\$2.1b

MACROECONOMIC INDICES



THE TRANSACTION

The Shea Nut company seeks to expand production volumes to capitalize on rapidly growing demand. In order to achieve this, the Company requires equity investment of

\$1.2 million

The Shea Nut company has already onboarded significant international shea butter off takers



THE TRANSACTION: investment rationale

Significant Market Opportunity	<ul style="list-style-type: none">• The global shea butter market was worth US\$1.12bn in 2019 and it is estimated to reach a valuation of US\$2.9bn by end of 2026 expanding at a CAGR of about 6.6%.• Shea Nut Company has executed orders and off-take agreements with large multinationals within the space.• There is a supply demand gap for West African shea butter. This is expected to expand with rising demand for use as a substitute for cocoa butter as well as a rising demand for natural and locally sourced cosmetics products.
Leading Shea Processing Plant in Nigeria	<ul style="list-style-type: none">• The Company has the largest mechanized shea butter processing plant in Nigeria with a capacity of 27000 MT/annum with the flexibility to crush shea nuts, palm kernel, groundnut and soya beans.• Shea Nut Company is well positioned to be the market leader in the West African shea industry.• Shea Nut Company has the first mover advantage in Nigeria for commercial large-scale production of shea butter, operating in a high growth industry with high barriers to entry.• Shea Nut Company receives investment from FAFIN in 2019 to capitalize on gap between international demand and local supply
Sustainable Shea Nut Sourcing Strategy	<ul style="list-style-type: none">• With over 47 years experience sourcing shea nuts in Nigeria, Shea Nut Company has built a large supplier/aggregator base with Contract agreements• Shea Nut Company's strategic location in Nigeria, the largest producer of shea nuts, increases the Company's raw material supply potential and reduces raw material cost vis a vis other West African processors
Strong Corporate Governance, Experienced Board and Management Team	<ul style="list-style-type: none">• Company has three independent Directors (out of 8)• Board members have great depth of industry knowledge combined with years of experience in manufacturing, technology and management.
Solid Growth Plans and Good Exit Prospects	<ul style="list-style-type: none">• Shea Nut Company has identified clear initiatives to grow top line over the next 4 years with a CAGR projection of 63% in Revenue and 243% in EBIDTA. This is further reinforced by its cost and operational efficiency strategy• There is a potential to exit for strategic investors, mostly multinational confectionary and cosmetics companies, backward integrating to secure input for their operations• Potential buyers are given their share of the global shea market including: Olvea Group fish and plant-based oil producers, Cornelius Group Plc a leading Beauty, Health Nutrition company, Croda International (a leading agrochemicals and Pharmaceutical company)



THE TRANSACTION: financial forecasts



GROWTH DRIVERS



Expansion

A fundamental driver of growth is the progressive increase in capacity utilization from 25% in FY2020 to 80% by FY2024 of the 27,000MT/annum processing plant. There will be additional value from the gradual utilization of the 21,000MT/annum oil refinery.



Yield Improvements

Following upgrades to existing facility, improvement to plant operational performance will be recorded. The new investment will be utilized to improve production efficiencies to drive extraction yields from 42% to 44%.



Cost Efficiencies

Savings is expected as Ladgroup replaces its diesel-powered plant to more efficient and less expensive gas-powered and biomass-powered boilers.



ABOUT SHEA NUT COMPANY: historical financials

Financial Highlights (FYE Sept')				
Currency: ₦m	Sept' 2017	Sept' 2018	Sept' 2019	Sept' 2020
Gross Earnings	118	467	623	725
Gross Profit	0	(197)	(293)	(392)
EBITDA	(74)	(366)	(670)	(60)
Profit/Loss Before Tax	16	(886)	(1,427)	(277)
Total Assets	5,733	6,907	6,836	6,764
Total Liabilities	2,333	4,375	6,460	3,909
Net Assets	3,400	2,532	375	2,856

Source: Audited Financial Statement

- Revenue for FY(A)- Audited 2017 represents only rental income from the company's investment property.
- Sahel Capital performed due diligence on the company between 2018 and 2019. During this time the processing plant was test run, and subsequently retrofitted to increase operating efficiency.
 - FYE 2018 revenue represents roughly one month of operations during plant testing.
 - FYE 2019 revenue represents roughly six weeks of exported shea butter and derivatives prior to factory retrofitting.
 - During this period, the company also restructured its books to recognize FX losses and deferred tax liabilities.
 - Sahel Capital subsequently invested \$8.2 million in the company between September 2019 – October 2019.
- factory retrofitting was completed in October 2019, and exports recommenced in December 2019. However, average capacity utilisation was about 25% in 2020 as Covid-19 global lock down led to export market contraction.
- They continue to deliver growth as its 9-months YTD (for FY 2021) shea butter revenue has exceeded FY2020 performance by 36%, and more export orders are expected.

MILESTONES

- The company's 47-years of experience has been motivated by a pioneering spirit, a demand for excellence and an uncompromising insistence on quality.
- The company is the #1 player in the industrial processing of shea nuts in Nigeria. The Company's processing factory is the first in Nigeria and one of the largest in West Africa.
- The Company sources shea nuts in excess of 20,000MT annually.
- Management team with over 5 decades of combined experience and affiliations with partner that have international experience & advanced processing technology.

ABOUT SHEA NUT COMPANY: key customers



ABOUT SHEA NUT COMPANY: Product list



18kg BUCKET



25kg CARTON



120X200g PLASTIC
TUBS IN CARTON



15-21MT BULK IN
CONTAINERIZED 20FT
FLEX TANK



SHEA NUT COMPANY IN PICTURES



QUALITY EXCELLENCE



FACTORY VIEW



OIL MILL EXPELLER PRESSES



SOLVENT EXTRACTION PLANT



SILLO



INDUSTRIAL BOILERS



Contact us!

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