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Aureos Capital

Building Mid-Market Businesses

A Case Study on Deli Foods Nigeria Ltd

- **The Deli Foods Experience**

- Introduction to Deli Foods
- Aureos' Experience

- **Conclusion**

- Statistics
- Key Success Factors

The Deli Foods Experience

Introducing Deli Foods



- Incorporated on 21st May 1998. Commenced commercial production in July 1999



- Produces over **10 varieties of biscuits** such as cream sandwich, wafers, sweet and semi-sweet biscuits under its own brand name



- Deli Foods is also a **contract manufacturer** of *McVities* products in Nigeria under the exclusive production right from United Biscuits U.K



- **Own-brands** account for circa **85%** of the total annual turnover with strong brand in the mass-market segment

The Deli Foods Experience

Introducing Deli Foods (Cont'd)

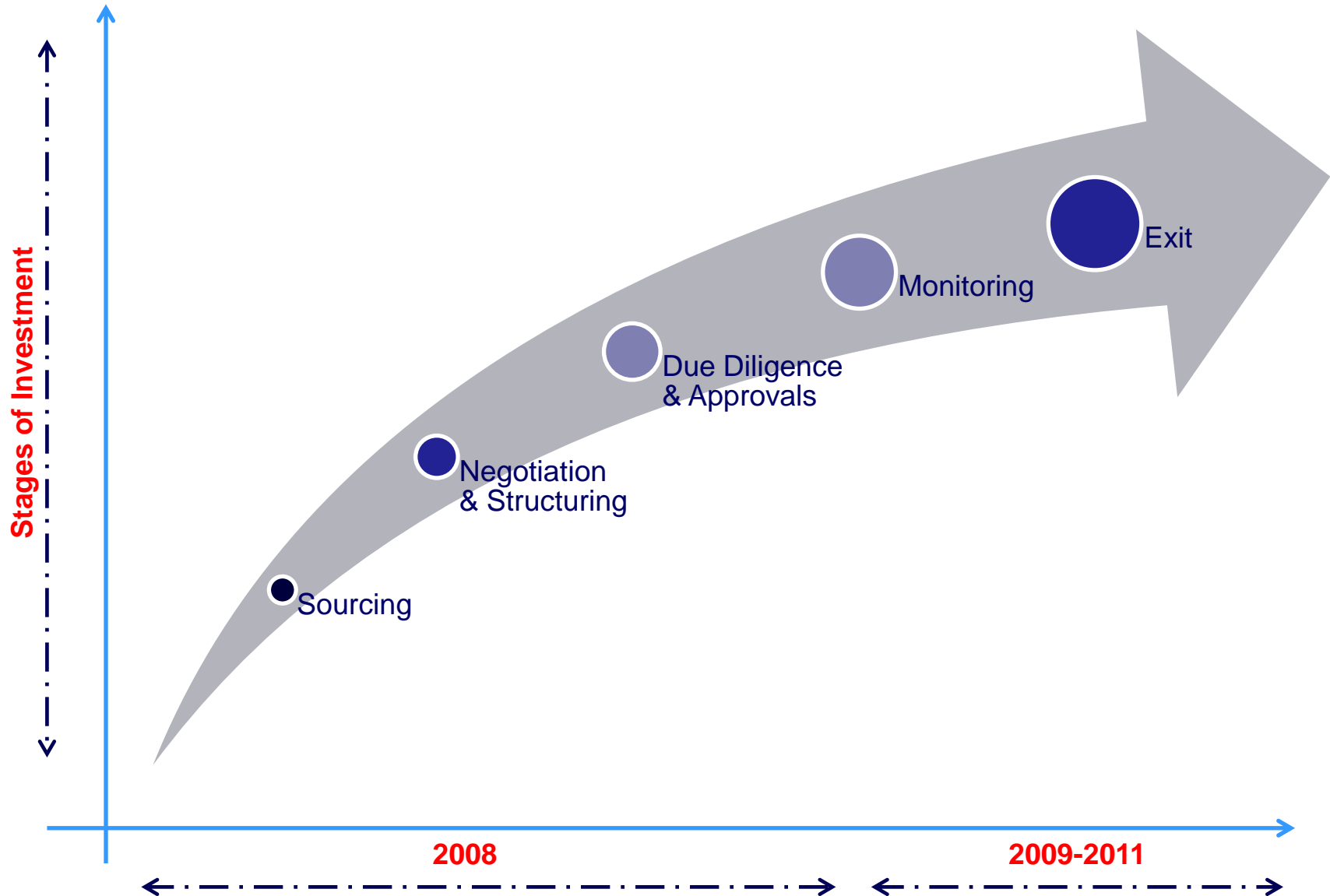


- Company underwent a partial Management buy-in (MBI) in **2006**
- MBI team **overhauled** operations & production facilities in 2007.
- Aureos assisted MBI team complete the MBI process, fund Working Capital & CAPEX requirement and refinance short-term debts in **2008**.



The Deli Foods Experience

Investment Lifecycle



The Deli Foods Experience

Aureos' Experience

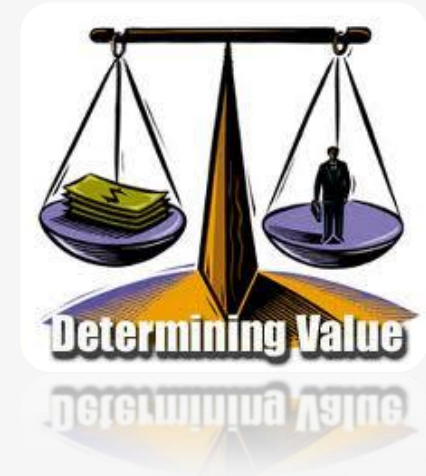
Sourcing

- **Good deals don't always come to you!**
- **Carrying out Background Checks**
- **Competition**
- **Sponsors' Understanding of PE**



Negotiation & Structuring

- **Conflicting idea on Entry Value**
- **Adopting right Valuation Method**
- **Cashout Vs Growth Capital**
- **Downside Protection Structure – Alien to Partnerships!**



Due Diligence & Approvals

- **Right Advisers**
- **Changing Auditors, Consultants/Advisers**
- **Another Biscuit Deal? Lessons learnt.....**
- **Loss making business?**
- **Corporate Governance Issues**
- **Environmental, Social and Governance Issues**



The Deli Foods Experience

Aureos' Experience & Value Adds

Monitoring – How we survived

- **Culture Change – Owner-managed to Institution**
- **Information Flow – Multiple-levels informal calls
& Periodic Reporting**
- **Regular Board & Subcommittee meetings**
- **Cash management – approval limits**



Monitoring (Cont'd)

- **Lifting Importation Ban on Biscuits**
- **Product seasonality & fluctuating Commodity Prices**



- **Fire Incident in 2009**
- **Delayed machines – impact on projections**

The Deli Foods Experience

Aureos' Experience & Value Adds

Monitoring (Cont'd)

- **New products/businesses**
- **Power Issues**
- **HSE Expenditure**



The Deli Foods Experience

Aureos' Experience

Exit

- **Timing of Exit**
- **Choice of Trade Buyer**
- **Exit Valuation / Due Diligence / Legal Process**
- **Regulatory Approvals**



Key Value Adds

- **Provision of capital to unlock hidden potentials**
- **Sourcing for Grants from our Investors**
- **Sourcing cheaper raw material through Aureos' relationships**
- **Active participation in Exit negotiations**
- **Introduced Corporate Governance Structures**



- The Deli Foods Experience

- Introducing Deli Foods
- Aureos' Experience

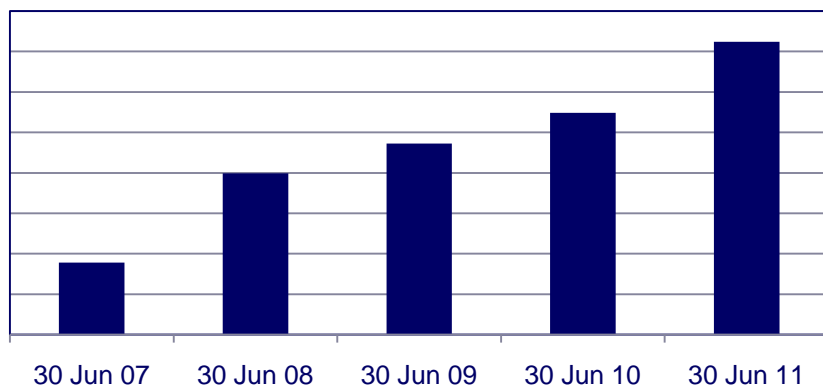
- **Conclusion**

- Statistics
- Key Success Factors

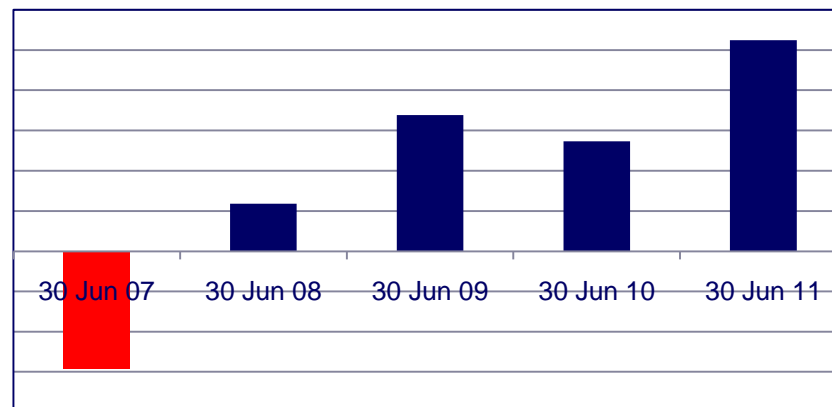
Conclusion

Statistics

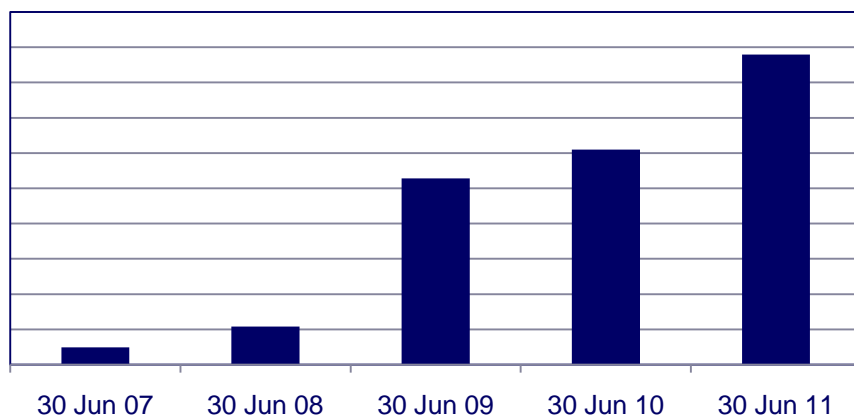
Turnover



PAT



Shareholders' Funds



- Revenues grew during the period at 42% CAGR
- Profitability post restructuring period enhanced
- Aureos' Investment resulted in Shareholders' Funds growth of 106% CAGR
- Aureos Returns in US\$ from the transaction:

44% IRR

Conclusion

Key Success Factors

- **Choice of Partners**
- **Aligned interest**
- **Transparency & Trust**
- **Humility & willingness to learn**
- **Flexibility**
- **Proximity & Availability**



- **Sponsor's Remarks:**

“My partner & I would like to use this opportunity to thank....the entire Aureos Team, for having faith in us & our team, for sharing our dreams & in venturing with us, over the past 2years, **as absolute gentlemen throughout.**

By the Grace of Almighty God, we have been amongst the few fortunate to **realize their dreams during their productive lifetimes** we do also acknowledge you for your kind contribution along this journey.

This partnership has **re-emphasized your confidence in us** as a team & we wish to put on record, that both of us - in future, would be willing to enter into other transactions of a similar nature.....when the opportunity presents itself.....”

- Email from Lead Sponsor on 25 November 2010

A light blue silhouette of a world map serves as the background for the central text. The map shows the outlines of all major continents and some smaller islands.

THANK YOU

Aureos Nigeria Advisers Limited