

PROJECT TEASER

# Livestock Trade Services, Limited

## OVERVIEW

The company is setting up a livestock quarantine, fattening and finishing center in an export processing zone (EPZ) in Kenya and managing the export of live animals (sheep and goats) to the Gulf (GCC) and Middle East regions.

## MARKET AND STRATEGY

The demand for livestock in the GCC and Middle East is currently at 12-15m head per year, which is projected to grow rapidly to 20+m by 2030 due to the growing middle class. This represents a market size of USD \$3+bn. The preferred source of disease-free livestock is the Horn of Africa (HoA).

## VALUE PROPOSITION/PROJECT ATTRACTIVENESS

With 20+ years of experience in livestock quarantine, EPZ approval secured, and strong connections to off-takers and regulators, the company is uniquely positioned to overcome the quality assurance problems that have held back livestock exports from the HoA in the past 5 years.

## BUSINESS MODEL

The company will procure livestock from smallholder pastoralists, transport them for fattening, finishing, and quarantine to its facility, and subsequently ship the live animals to its off-takers in the GCC and Middle East. Revenues from sales of sheep and goats are projected to reach USD \$143m by 2026 at a 19% net profit margin.

## CURRENT STATUS

100,000 acres of community-owned land in the Tana River Valley secured through profit-sharing agreements. Approval in principle to operate EPZ/livestock quarantine facility there. LOIs secured to export up to 3 million head p.a. valued at USD\$700m annually and over USD \$17m in feed sales. LOI from a DFI funded by the World Bank for USD \$4.3m in concessionary finance; release anticipated in Q4 2022. Received USD \$1.2m investment from a private equity firm. In process: Architectural drawings, BoQs proformas, & EIA to fulfil requirements for World Bank/DFI funding.

## TEAM/ EXPERTISE

The CEO and his team bring over 20 years' experience in livestock quarantine and export in the Horn of Africa, including setting up the standard-setting quarantine facility in Djibouti which enabled USD \$1.5bn in exports and eradicating rinderpest, which have resulted in strong connections and reputation among potential customers and regulators.

## IMPACT

The rapidly growing demand for livestock (meat) threatens to further damage our already overtaxed global climate. The company's regenerative grazing production strategies, solar irrigation, and methane reducing feed additives cut GHG emissions from livestock production by 75% per head by 2026, aiming at carbon neutrality by 2030. The project will also provide significantly increased incomes to 3 – 6 million smallholder pastoralists, who are among the most marginalized groups in the HoA. The company's strategies will combine to triple pastoral incomes, increase pastoral rangeland productivity by more than 5 times, reduce stunting, and lessen drought and flood impacts.

## GENDER FOCUS

The company will create income generation benefits for women pastoralists who often own sheep and goats and will receive increased income from livestock as well as improved nutritional outcomes and improved resilience to climate change. 90% of the export trade is sheep and goats.

|                             |  |
|-----------------------------|--|
| <b>TECHNOLOGY</b>           | Regenerative Agriculture & Grazing, Solar Irrigation |
| <b>PROJECT / LOCATION</b>   | Tana Valley EPZ, Kenya                               |
| <b>MATURITY OF PROJECT</b>  | Feasibility Stage                                    |
| <b>ANNUAL GHG REDUCTION</b> | 1.8 million tons of CO2/year                         |
| <b>NUMBER OF EMPLOYEES</b>  | 5  |

## PFAN ADVISOR

Gideon Laux

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**TOTAL INVESTMENT ASK** **14.3** Million USD \$

## USE OF FUNDS

- US\$4.5m in equity to set up the quarantine facility (construction, equipment, OPEX)
- US\$1.4m (2022) and US\$8.4m (2023) in short-term working capital to fund livestock purchases from smallholder pastoralists

**EQUITY ASK:** **4.5** Million USD \$

## OF WHICH:

- \$310k committed by existing PE investor.

**INDICATIVE VALUATION:** \$51.4m

**EXIT OPTION:** 7-10 years

**DEBT ASK:** **9.8** Million USD \$

## OF WHICH:

- LOI for \$4.3m from a DFI funded by the World Bank.

**DEBT ASK CURRENCY:** USD

**LOAN TENURE:** 12 months

**AVERAGE DSCR:** 2.75

**INTEREST COVERAGE:** 22.13

**DEBT TO EQUITY:** 0.31

**EBITDA MARGIN:** 16%

**PAT MARGIN:** 15%