

## INVESTMENT BRIEF

### Business Summary

As one of the only remaining millers of locally grown wheat, SOTIRU plays an important role in establishing the wheat value chain, developing wheat farmers, and addressing the food security of Rwanda. Two large-scale mills have been established in recent years, using higher quality imported wheat. Plan calls for a gradual recovery whereby SOTIRU adds new management, develops a network for retail sales of two distinctly Rwandan food products, and achieves profitability in three years.

### Opportunity Summary / Strategic Importance

- Wheat is a high priority crop
- Oldest Rwandan milling operations – two mills on premises; long-standing relationships with local farmers and cooperatives
- Potential economic impact for over 4,800 farmer households
- Projected Investor / Shareholder ROI up to 17% with an annualized return on equity of 5% by year 3; IRR of 12% over 5 years

### Issues to be Addressed by Investment

- Demands call for full team of experienced managers (not in place)
- Refurbish hydroelectric power plant on location to help reduce cost of production
- Partner with an established, synergistic consumer retail brand
- Develop niche markets to in growth areas (i.e. wheat porridge, animal feed)

### Market Demand

World wheat production is estimated at 650 million MT for the year 2011. Rwanda's demand for wheat (estimated as high as 50,000 MT/year) outpaces current crop production volumes and quality levels currently available in Rwanda.

### Competition and Partnership

In wheat porridge, SOSOMA and MAGANJO are strong competitors with recognized consumer brands. While these companies dominate the Rwandan porridge market, neither of these companies currently distributes a product in Rwanda that uses wheat as a primary ingredient. Given that a primary reason for purchasing porridge is for the protein and other benefits, and wheat contains more protein than maize (the primary ingredient most "porridge" products currently use), this could give SOTIRU an important advantage over these established competitors, or justify their partnership as a supplement to such competitors.

### Sales / Marketing

This plan calls for avoiding competition with the large, imported wheat millers. Instead, partnerships and focused niched marketing offer a more promising path to profitability, but will require an extensive and aggressive distribution strategy.

| Wheat & Porridge Raw Material and Relevant Product Market Size (in MT/year) | 2010   | Proposed Product                 | Proposed SOTIRU Market Share |
|---|--------|----------------------------------|------------------------------|
| Domestic(Rw) Flour Production   | 57,123 |                                  | 3%                           |
| PEMBE Home Baking Flour and Atta Mark I                                     | 10,075 | "Ifu y'Ingano" Home Baking Flour | 10%                          |
| Maize & Other Porridge Products in Rwanda                                   | 17,608 | "Wheat Porridge"                 | 5%                           |
| SOSOMA Porridge #2  | 459    |                                  | 26%                          |
| MAGANJO (Ug) Maize Flour (& Porridge)                                       | 10,816 |                                  | 1%                           |
| Bran/Animal Feed Market   | 36,000 | Fine & Course Bran               | 1%                           |

### Financials

| Financial Statement Summary | 2011         | 2012          | 2013          | 2014          | 2015          |
|-----------------------------|--------------|---------------|---------------|---------------|---------------|
| Total Turnover              | 671,808,511  | 1,058,098,404 | 1,444,304,322 | 1,819,823,445 | 2,292,977,541 |
| Turnover Growth             |              | 58%           | 37%           | 26%           | 26%           |
| COGS                        | 556,113,479  | 873,225,296   | 1,188,532,971 | 1,493,482,314 | 1,878,549,151 |
| Gross Margin                | 115,695,032  | 184,873,108   | 255,771,351   | 326,341,131   | 414,428,390   |
| Gross Margin %              | 17%          | 17%           | 18%           | 18%           | 18%           |
| Turnover per kg             | 448          | 470           | 494           | 518           | 544           |
| COGS per kg                 | 371          | 388           | 406           | 425           | 446           |
| Gross Margin per kg         | 77           | 82            | 88            | 93            | 98            |
| Operating Expenses          | 135,370,267  | 165,919,621   | 196,688,089   | 226,972,067   | 264,086,999   |
| EBITDA                      | (19,675,235) | 18,953,487    | 59,083,262    | 99,369,064    | 150,341,391   |
| EBITDA Margin               | -3%          | 2%            | 4%            | 5%            | 7%            |

### COMPANY PROFILE:

#### Industry/Sector:

Wheat Processor

**Employees:** 12

**Founded:** 1948 (ETIRU)

### PRODUCT INFO:

#### Three Major Products:

- 1) Home Baking Flour;
- 2) Wheat Porridge; and
- 3) Course Bran Animal Feed

#### Production Status:

Limited Operations

### FINANCIAL INFO:

#### Product Stage:

Limited Operations

#### Current Shareholding:

- M&BICO Society (35%)
- Great Lakes Foam (35%)
- Assinapol Rwigara (12%)
- Aloys Kaberuka (12%)
- Mukangemanyi Adeline (2%)
- Utangana Aline (2%)
- Uwimana Israel (1%)
- Gatete J.M.Vianney (1%)

#### Investment Required:

- New equity investment of 200 million RWF
- 450 million RWF in commercial loans
- 250 million RWF in MINAGI directed farmer support

### MANAGEMENT TEAM:

- Jean Marie Vianney Gatete, Managing Director
- Didier Niyongabo, Admin. and Finance Mgr.
- Straton Bughiro, Factory Director
- Crispin Rutanga Birasa, Production Manager
- Sabin Ngirabatanyurwa Rujukundi, Assistant to the Technical Director
- Benimana Viollette, Laboratory and Quality Mgr.

### CONTACT INFO:

Carter Crockett  
Carter@karisimbipartners.com