

Cape Town's business district lights up as dusk falls over the city, November 2, 2009. REUTERS/MIKE HUTCHINGS

Reuters Africa Investment Summit 2012 gives insight into continent poised for development

Africa has the potential, but is it ready for a business boom?

Home to a billion people, dozens of fast-growing economies and an emerging middle class, the world's poorest continent is increasingly seen as the next big destination for global investment. After a decade of relative stability in many sub-Saharan countries, investors and major multi-nationals are betting big on the rise of the African consumer. Rapid growth is also attracting more private equity firms, including major U.S. heavyweights. Western investment banks are angling to do more deals on

the continent, counting on the growing trade flows between Asia and resource-rich Africa. While the stakes are huge, so are the challenges: the increasing trend of resource nationalism, a lack of infrastructure and adequate power supply, a shortage of skilled labour and, in many countries, an entrenched culture of graft. During closed sessions with Reuters journalists, government officials, leading CEOs and senior executives discussed these issues, the opportunities and challenges facing investors in Africa.



Workers package beer at Cervejas de Mocambique, a subsidiary of giant SAB Miller, in Maputo, March 17, 2009. REUTERS/GRANT LEE NEUENBURG

SABMiller eyes \$2.5 billion in Africa investment

BY TISETSO MOTSOENENG AND
TEBOGO MAHLAELA
JOHANNESBURG, APRIL 16, 2012

SABMiller plans to invest up to \$2.5 billion in Africa over the next five years to build and revamp breweries, its head for the region, as it looks to slake rising demand for beer in the fast-growing continent.

"We are still looking at around 400 to 500 million dollars a year ... for the next three to five years," Mark Bowman, SABMiller's managing director for Africa told the Reuters Africa Investment Summit.

"There's quite an attractive growth in markets outside South Africa so we will be investing basically to meet and be ahead of demand," he said in an interview at Reuters offices in Johannesburg.

SABMiller's Africa business, which excludes South Africa, is the group's biggest recipient of capital expenditure and its fast-

est growing, with underlying volumes in the last three months of 2011 up 11 percent.

Bowman said the London-based brewer, which is also listed in Johannesburg, will use the money to build two to three breweries each year across the continent, where some breweries are running at or near full capacity.

Africa is home to a billion people and, after a decade of relative political stability, dozens of fast-growing economies. Although still poor, it is increasingly seen as the next big growth market for consumer goods.

But average beer consumption, at 8 liters per person per year, pales when compared with about 70 in North America or Europe, suggesting that few Africans can afford the beverage, which is seen as a status symbol.

Bowman said if one includes the home brew market -- where the beverage is cheaper -- beer consumption on the continent is just as big as in other developed markets.

He said with affordable prices, com-

mercial beer consumption per capita could reach as much as 30 liters over the next 15 to 20 years in most of its markets in Africa outside South Africa.

The world's second biggest brewer is ratcheting up production of affordable beer by using local ingredients such as cassava and sorghum instead of the more expensive barley to drive growth.

SABMiller launched the first cassava-based beer late last year in Mozambique, an affordable beer blend that fetches up to 70 percent of the price of mainstream beer, thanks to lower taxes.

"Commercial beer signifies reaching some sort of level of status as opposed to drinking a home-brewed beer like chibuku," Bowman told the Summit, referring to a popular sorghum-based brew.

Additional reporting by Enos Phosa; Editing by David Dolan and Jon Loades-Carter

Africa's demographics: dividend or disaster?

BY ED STODDARD

JOHANNESBURG, APRIL 18, 2012

Wanted: Investors for young, hot and thirsty continent. Population to double in 40 years. Poor, but less than it was. Interested parties must think long term.

Africa's demographic profile could make it a dream for retailers if spending power continues to rise - or an unfolding disaster for everyone if the labor market fails to absorb its swelling ranks of young people.

Top business executives at the Reuters Africa Investment summit see potential. They expect ever higher numbers of childless young people to enter the labor market and earn money that they can spend or save.

The latest U.N. figures project that Africa's population will double over the next four decades to almost 2 billion. To give just one example, 46 percent of Zambians are below 15.

"We are going to benefit from a demographic dividend. You are going to have this significant increase in consumers," said John van Wyk, who co-heads the Africa business of private equity firm Actis, which has \$1.5 billion under management in Africa.

A 2010 study by the McKinsey Global Institute projected the number of African households with discretionary income earning over \$5,000 would rise to 128 million by 2020 from 85 million.

Credit Suisse estimates African household wealth grew at 19 percent in 2010-2011 - outpaced only by India and Latin America.

Some argue that hype around Africa is overdone and that concentrating on the big macroeconomic numbers gives a misleading picture on a continent where most trade remains informal.

"(It) doesn't tell you about the peasants, it doesn't tell you about the urban slums," author Duncan Clarke told Reuters this month.

"The idea that because there are expanding consumer markets or more mobile phones in Africa and more people waltzing around in Armani suits, that this is somehow going to drive the economies out of poverty, is pure fatuous nonsense," he said.

But retailers are not discouraged and Actis sees pent up consumer desires to be tapped.

"If you look at Nigeria for example, a sophisticated retail model there is actually non-existent. The bulk of trade still happens in informal markets," he said. "But as people become more affluent they become aspirational."

“The idea that because there are expanding consumer markets or more mobile phones in Africa and more people waltzing around in Armani suits, that this is somehow going to drive the economies out of poverty, is pure fatuous nonsense

Author Duncan Clarke

That was also the watchword for Mark Bowman, brewer SABMiller's managing director for Africa.

SABMiller's Africa business, not counting South Africa, is the group's fastest growing. Underlying volumes in the last three months of 2011 were up 11 percent on the year before.

"Beer is highly aspirational. As the economies improve and the legal drinking populations grow the prospects are very positive for beer and soft drinks," he said.

SABMiller plans to invest up to \$2.5 billion in Africa over the next 5 years.

The strategy with Africa's income levels and demographics, he said, was simple: make beer affordable by cutting the price.

"You have this natural increase in wealth slowly but surely and inexorably across Af-

rica and what we want to do is go down and meet it earlier as opposed to waiting for it because beer is just too expensive, on balance," he said.

"So if you can get beer down to a Latin American type earning profile where within 30 minutes of work you have enough money to buy a beer, from the 3 to 4 hours it takes currently, we would significantly increase the opportunity for our sales."

But the big worry is those who cannot afford to buy any sort of drink as youth unemployment rises in many parts of the continent, fuelling resentment against the expanding elites and potential social unrest.

"Youth underemployment and unemployment is a major source of concern to our government," Zimbabwe's youth minister, Saviour Kasukuwere, told the summit in Johannesburg.

"If you have young people who are restless and they have nothing to occupy them then the sure way will be the Egyptian kind of uprising," he said, referring to the uprising that toppled President Hosni Mubarak last year.

There has been no sign yet of North African style revolts spreading south of the Sahara.

And Zimbabwe is a particular case after losing more than a decade of growth to what detractors say were disastrous economic policies.

But Zimbabwe's demography is not unique to the continent. According to the World Bank, about 40 percent of its population is below the age of 15 and estimates of its unemployment rate run as high as 80 percent.

"In 1900 there were only 110 million people in Africa, now there are over a billion. In 2050 Africa is going to have 2 billion. So there will still be huge problems of poverty, of income scarcity, and most importantly of unemployment," said Clarke.

Editing by Matthew Tostevin

Zimbabwe's "Tyson" goes the distance with foreign firms

BY MACDONALD DZIRUTWE AND DAVID DOLAN
HARARE/JOHANNESBURG, APRIL 16, 2012

Nicknamed "Tyson", Zimbabwe Empowerment Minister Saviour Kasukuwere doesn't shrink from a fight when it comes to taking on foreign companies that own mineral rights in his country.

"Somebody has to get them to understand the message," the man who has forced global miners to give up majority stakes in their Zimbabwe operations, told the Reuters Africa Investment Summit in Johannesburg on Monday.

"You can't continue with that old mentality of islands of prosperity and seas of poverty, it just can't work any more. When we talk to these companies, we are not being malicious or cruel, we are making them see the reality," said Kasukuwere, who takes his nickname from the U.S. heavyweight boxer Mike Tyson.

Critics accuse the former officer in Zimbabwe's feared Central Intelligence Organisation of acting outside the law in forcing foreign companies to comply.

Some say President Robert Mugabe's ZANU-PF party is using the empowerment drive to squeeze money out of foreign firms to finance its election campaign.

"Tyson's" opponents also are suspicious of his leadership role in the ZANU-PF youth wing blamed by many for violence that has marred Zimbabwe elections over the last 12 years.

Prime Minister Morgan Tsvangirai of the rival Movement for Democratic Change (MDC), who works uneasily with Mugabe, has been critical of the way the empowerment drive is implemented.

He says the campaign is driven by the upcoming elections and is scaring investors away.

RISING STAR

But the burly, 41-year-old Kasukuwere, the youngest minister from Mugabe's ZANU-



Zimbabwe's Minister of Youth Development, Indigenisation and Empowerment Saviour Kasukuwere speaks during the Reuters Africa Investment Summit in Sandton April 16, 2012.

REUTERS/SIPHIWE SIBEKO

PF in the coalition cabinet, is seen as a rising star in his party.

He often is touted as a potential successor to Mugabe, 88, though for the moment he brushes such talk aside.

"I have been asked by my president to serve as a minister. I am quite happy with this position," he said. "I don't have an ambition to go beyond my call of duty right now."

What that means in practice is taking on some very powerful players in the world of global mining.

Last month he forced Impala Platinum, the world's second-largest platinum producer, to transfer 51 percent of its stake in its Zimplats operation to locals, ending months of wrangling between Implats and Harare.

That has emboldened him to pursue other mines, including Anglo American Platinum, which is developing Unki mine in central Zimbabwe, to comply with the empowerment law.

His reputation for being tough on foreign firms was burnished by a public spat with Implats CEO David Brown, which dragged on for months.

"The problem with Brown is that he talks too much. We are sick and tired of his delaying tactics," he told Reuters in February, a month before Implats bowed to Zimbabwe's pressure.

He also says the empowerment drive strikes a personal note, saying he faced racism in building one of his early business ventures, oil importer ComOil.

"I know what it means for a young black business person to go into business and during the times I did, the financial institutions were controlled by colonial institutions," he told the Summit at Reuters offices in Johannesburg.

"If they gave you a loan to buy a truck, the following day, they will come and repossess because you would have failed to honour your obligations by one day."

Unlike the stiff image conveyed by most senior officials in his party, Kasukuwere is tech-savvy, trending on social network site Twitter and maintaining his own homepage.

He easily took questions from participants in a Reuters chatroom for financial clients, and used jokes to deflect questions about Mugabe's succession plans.

He said he also has a business in South Africa, but declined to give further details citing concern about international sanctions against leaders in ZANU-PF for suspected human rights violations.

He is a farmer, having benefited from Mugabe's seizures of white-owned commercial farms, and owns a freight business. All of his businesses are said to have flourished since becoming a politician.

Additional reporting by Tebogo Mahlaela, Enos Phosa, Tshupo Tshabalala in Johannesburg; Editing by Michael Roddy

ICC trials main threat to Kenyan polls: electoral commission

BY JAMES MACHARIA
NAIROBI, APRIL 17, 2012

The possible trial of Kenyan politicians for election violence is the biggest threat for a repeat of unrest at next year's vote, the country's electoral head said, hoping reforms and new technology will ease a "pressure cooker" of tensions.

Next March's election will be the first since a disputed poll in 2007 that triggered a politically-fuelled ethnic slaughter in which more than 1,220 people were killed.

Any trouble in Kenya could hit investment, trade and transport in the east African economic powerhouse's land-locked neighbors, especially Rwanda and Uganda, which rely on Mombasa port for imports of food, consumer goods and fuel.

"As we move towards the election, it will become a pressure cooker," said Ahmed Isaack Hassan, head of the Independent Electoral and Boundaries Commission (IEBC) that will oversee the vote.

"The issue of the International Criminal Court (ICC) process may bring some tensions. This is the only thing which stands out, we have to wait and see how it will impact the elections."

Leading presidential contenders Uhuru Kenyatta, the former finance minister and son of Kenya's founder president, and William Ruto a former higher education minister, face charges of directing ethnic mobs to murder after the 2007 election, along with other crimes against humanity.

The charges against Kenyatta, Ruto and two others have shaken a country where the political elite was once seen as almost above the law, and there is concern that, if the presidential hopefuls stand trial and are blocked from running for office, it may trigger fresh violence.

In January, the ICC ordered Kenyatta, Ruto, radio presenter Joshua arap Sang and the head of the civil service, Francis Muth-

aura, to stand trial for instigating the violence. The four deny the charges and have appealed the ICC's right to try them.

Kenyatta and Ruto have forged an alliance against Prime Minister Raila Odinga, who leads in the race according to pollsters, to replace outgoing President Mwai Kibaki.

Asked if ethnic enmity which spurred the fighting after the last polls had eased somewhat since 2007, Hassan said: "Tribalism is a cancer ... it took us to the brink of civil war, but we came back from the abyss. I hope we learnt the lessons."

A recurrence of election violence could deliver another economic blow to Kenya where the unrest slowed economic growth to 1.5 percent in 2007/8 from 7.0 percent in 2007. Tourism income fell 19.4 percent after a record year as wary travelers stayed away.

Speaking at the Reuters Africa Investment Summit, Hassan said judicial and electoral reforms included in a new constitution adopted in 2010 and new technology should deliver a fair election that would avoid the cycle of bloodletting.

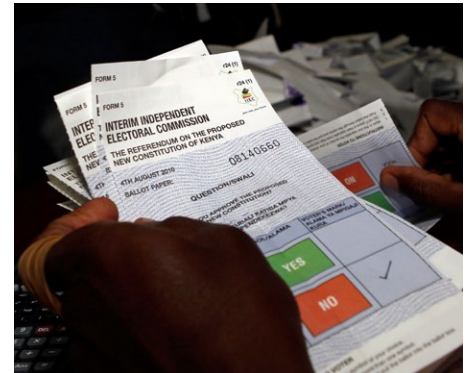
Under a new system, the tally of ballots for a presidential candidate, cast at thousands of polling stations across the country of about 40 million, will be transmitted electronically to a national counting centre and broadcast live on television.

Previous elections have suffered from claims that votes were interfered with while being transported from polling stations to regional tallying centers.

The new system, which cost \$1 million to install, uses the 3G data network used by mobile phone companies and was first tried in a 2010 referendum to ratify the constitution.

Kenya will also switch to an electronic register of voters after ballot boxes at the 2007 elections were found to contain the votes of people who had not registered and even some who were dead.

"Technology can enhance confidence in



Electoral officials count votes at a polling centre in Eldoret town, 300km west of Kenya's capital Nairobi, August 4, 2010. **REUTERS/THOMAS MUKOYA**

the results. We are the first country in Africa to use the transmission of ballots counted real-time, live," said Hassan, who won praise for using technology for the referendum, earning the 42-year-old lawyer the president and parliament's nod for the IEBC job.

"This way, by prime time news, people will know the results and go to bed knowing who won and this will help ease tensions."

In 2007, the tallying of presidential ballots was delayed for days, raising suspicions of ballot rigging.

Hassan said, under the new constitution, he and other electoral officers could be personally liable for any electoral malpractice, something that should diminish the suspicions of bias leveled at of his disgraced predecessor who was blamed for bungling the 2007 vote.

Having led an African Union team to oversee last year's Nigerian elections, cited by observers as the fairest in decades, Hassan said Kenya had to up its game.

"Nigeria, Zimbabwe and Kenya were the poster boys for bad elections in Africa. Nigeria showed it can do better, and now it's our turn."

Editing by Robin Pomeroy



Participants attend a street carnival to mark the end of Easter celebrations, at Tafawa Balewa square in Nigeria's commercial capital Lagos April 9, 2012.

REUTERS/AKINTUNDE AKINLEYE

Investec Asset Management targets Africa's rise

BY HELEN NYAMBURA-MWAURA AND
TSHEPO TSHABALALA
JOHANNESBURG, APRIL 17, 2012

Investec Asset Management expects to grow its assets under management across Africa by at least 28 percent to \$45 billion in the next five years, its chief executive said, helped partly by growing demand for the continent's debt.

The money manager, a unit of Anglo-South African bank Investec Group, also sees assets under management on the continent, excluding South Africa, doubling to \$6 billion over the same period.

"If you are in the business game, Africa is extremely exciting because it is starting to be open for business. The opportunities are so enormous," chief executive Hendrik du Toit said.

The Cape Town-based firm manages a total of around \$100 billion in assets, with \$35 billion on the continent.

Global investors have their sights trained

on Africa as the continent's increasingly wealthy population, and a trend towards political and macroeconomic stability, create compelling opportunities.

Investec told Reuters in 2010 it was aiming to manage \$10 billion in Africa outside South Africa by 2015. However, du Toit said that target was thrown off track by political uprisings in North Africa from the end of 2010.

"What we see now is a return of interest by institutional investors into Africa, however, they have a challenge right now. Assets are very cheap in many of their home markets," du Toit said in an interview from his London offices.

"If you're sitting in Europe and you have cash, you can buy local credit, you can buy distressed assets, you can even buy mainstream investments at vastly cheaper relative to emerging markets than before."

The company has deployed more than \$3 billion north of South Africa's borders on behalf of institutional investors from

around the globe in all asset classes including private equity and public debt.

Du Toit said that there were more private equity funds competing for assets on the continent at the moment, making hot targets of the few opportunities big enough to attract global demand.

The withdrawal of international banks from emerging markets had also created an opportunity for investors interested in debt, he said.

Africa has largely been shunned in the past as an investment destination but the tide is turning in its favor and investors considering other sectors other than the traditional resource mining industry.

"It took most of the '90s to convince ourselves this was a great opportunity, but we couldn't convince investors," du Toit said.

"Only in the last decade have we been able to start getting serious investors."

Additional reporting by Enos Phosa and Tebogo Mahlaela and; editing by David Dolan

New rules for revamped Nigeria bourse from next month

BY TIM COCKS AND CHIJOKE OHUOCHA
LAGOS, APRIL 17, 2012

Nigeria's Stock Exchange is three weeks away from completing a revamp that will see it relax restrictions on price swings, adopt the Nasdaq platform, open into U.S. trading hours and allow short selling, its executive director .

Ade Bajomo, executive director of market operations and technology, told the Reuters Africa Investment Summit in Lagos the bourse would implement new rules allowing stock prices to move by up to 10 percent a day, from its current 5 percent, and introduce market makers who can borrow stocks for shorting.

"What would we like to be when we grow up? I think Singapore," he said. "A market that rises up from almost zero, a market run in an efficient manner ... a financial hub."

Under the new system to be implemented by next month, Africa's second biggest bourse will open until 4 p.m. (1500 GMT) to overlap with U.S. markets. It currently shuts by 2.30 p.m.

A \$10 million deal with Nasdaq to adopt its trading platform would be signed next week, making it easier for foreign and local investors to trade electronically, Bajomo said.

Africa's second biggest bourse is automated, but the technology is old and price rather than quote driven. The new system will make the market more efficient, liquid and easier for traders to use, Bajomo said.

"One of the key initiatives is market-making, securities lending and short selling," he said. "We want to build a hybrid market, with market-makers to create liquidity."

Ten market makers were going through the final stages of approval before they start work, with the aim of having them operating fully in the market by the end of the month, he said.

Futures and other derivatives could start trading from 2014.

A relaxation of the minimum float requirement to 20 percent, from 25 percent, would entice companies, particularly foreign firms hesitant about being over-exposed, to list.

That would help meet the exchange's

target of getting 1,000 companies on its books within the next five years, up from its current 200 listings, Bajomo said.

Nigeria's stock market had a torrid time in 2011, falling 16.3 percent despite an apparent end to a major banking crisis.

The index gained 3.5 percent by March 22, but a flurry of disappointing bank earnings has since sent that rally into reverse, leaving it 0.22 percent down this year.

Tellingly, the portion of stocks held by foreigners leapt by 80 percent to 512 billion naira (\$3.23 billion), or about a third of the market, last year.

That suggests local, not foreign, investors remain the most wary of losses. A banking crisis wiped nearly half the value of equities in 2008, all but 6.4 percent of them held by locals.

"Quite a lot of people got burned in 2008, and they're touchy," said Bajomo. "There are efforts to educate people and get them back to the market."

He would not give a time frame for when he thought the market would recover, but said a number of new listings were in the pipeline for when it does.

He urged the central bank to lower its current 12 percent interest rate which he said could help reverse a trend of local investors moving into higher yielding bonds. Central Bank governor Lamido Sanusi is seen as a hawk on inflation, and the bank has raised rates six times in the past year.

"I would certainly like to see interest rates come down a bit. Businesses cannot thrive borrowing at 20 percent," he said.

Change to regulation, such as plans by Nigeria's pension regulator to increase limits on pension funds' investment in the stock market to half of their portfolio, from a quarter currently, would further boost the equity market, he said.



Brokers work on the trading floor of the Nigerian stock exchange in the commercial capital Lagos April 28, 2010. REUTERS/AKINTUNDE AKINLEYE

Writing by Tim Cocks; Editing by Jon Loades-Carter

South Africa PIC eyes \$3.8 billion private equity push

BY TISETSO MOTSOENENG AND TSHEPO
TSHABALALA
PRETORIA, APRIL 16, 2012

South Africa's government pension fund could invest as much as \$3.8 billion in African private equity, its chief executive said, as the continent's top public pension manager looks for higher returns beyond its home market.

The Public Investment Corporation (PIC), which manages more than 1 trillion rand (\$125 billion) on behalf of civil servants, is currently looking for potential private equity partners, Elias Masilela also told Reuters in an interview.

"We are in the process of identifying partners who are going to be vehicles in investing the money on the rest of the continent," he said in an interview in Pretoria on Wednesday, ahead of next week's Reuters Africa Investment Summit.

Masilela said the state-run PIC has been given the green light to invest 10 percent of its portfolio outside South Africa, with half of that - about 50 billion rand - earmarked for Africa.

Given the lack of liquidity in many sub-Saharan markets, as much as 60 percent of the Africa money - or 30 billion rand (\$3.8 billion) - could go into private equity, he said.

"(African) markets are characterized by thinly listed equities. So what is likely going to drive us going forward is private equity, developmental funding and property," he said.

"The numbers have not been fully worked out yet, but you can see anything between 40 and 60 percent in private equity and developmental investing," he said, adding that the rest could go into equities and property.

With annual economic growth rates of 5 percent or more, but underdeveloped capital markets in many countries, Africa is increasingly becoming a target for private equity investors.

U.S. firm Carlyle Group CYL.UL recently opened offices in Johannesburg and Lagos and is expected to announce the closing of its first Africa fund, while London-based Helios is likely to deploy capital after closing a \$900 million Africa fund in June.

Masilela declined to name the private equity investors the fund was in talks with or

the timeline for when the funds would be deployed.

The PIC is likely to be a player in infrastructure investments as countries on the continent build and revamp their roads, dams, hospitals and power stations, he said.

Under its former CEO, Brian Molefe, the PIC was known for using its substantial stake holdings to lobby corporate South Africa for more blacks in senior management.

Masilela said the transformation of corporate boardrooms was still a priority, although he preferred a "behind-closed-doors" approach, rather than "public spats" with business leaders.

South African companies are encouraged to increase the percentage of black senior managers under rules to redress imbalances created by the apartheid regime.

One of the biggest investors in South African equities, the PIC's holdings account for about 10 percent of Johannesburg's market capitalization.

\$1 = 7.9777 South African rand

Editing by David Dolan



Cityscape of Pretoria, the capital of South Africa, a venue of the 2010 World Cup, February 14, 2010. REUTERS/EUROLUFTBILD.DE

Uganda pushes to liven up lonely bourse

BY TOSIN SULAIMAN
LONDON, APRIL 18, 2012

The Uganda Securities Exchange aims to double its market value in the next five years and is lobbying the government for tax incentives to encourage companies to list, its chief executive .

The east African bourse also plans to draw new listings through an alternative market for companies that don't qualify for its main board, Joseph Kitamirike told Reuters.

"We want to double our capitalization within the next five years but there are not very many companies that qualify for the main market in Uganda," he said.

The 14-year-old bourse is saddled with many of the constraints that characterize frontier Africa, where small, relatively illiquid capital markets have yet to catch up with robust economic growth.

The bourse .ALSIUG is home to just 14 companies, several of them cross-listed Kenyan firms. Its total market value is \$4.8 billion, less than half of nearby Kenya.

It was counting on a high-profile secondary listing of Tullow Oil this year to help bolster market value, but the oil explorer has decided to focus on other priorities, Kitamirike said.

"There's the large sugar companies, plantation companies, steel manufacturers," he said in a telephone interview to coincide with Reuters Africa Investment Summit.

"Some of the insurance companies, the banks. If we pick one or two of those every year we will probably be able to double our capitalization on the exchange within that period."

Foreign investor interest in Uganda has grown since the east African nation discovered commercial hydrocarbon deposits in the Albertine rift basin along its border with the Democratic Republic of Congo in 2006.



A woman weeds her corn plantation in Akia village outside Lira town in the northern region of Uganda, November 11, 2009. **REUTERS/HUDSON APUNYO**

Small-scale commercial oil production is expected to begin later this year.

But the bourse is growing slower. Kitamirike said the exchange had asked the government to provide tax incentives to lure more listings.

These could include a lower tariff for up to three years and a tax waiver for companies with unpaid back taxes, he said.

"There are certain major companies that might qualify for the main market that have a tax history that needs to be cleaned up," he said. "We're asking the government to waive those, to give those companies a chance to come and list in exchange for the govern-

ment dropping that claim."

The bourse is also planning to launch an alternative market to attract growing companies, with less stringent criteria than the main board.

He said the plans were awaiting regulatory approval, expected next month, and that the exchange was already in talks with three firms - an insurance company and two in the transport sector.

It is also looking to introduce trading of government debt and a gold-based ETF this year, he said.

Editing by David Dolan

Africa's scarce infrastructure breeds "self-reliant" companies

BY TISETSO MOTSOENENG
JOHANNESBURG, APRIL 19, 2012

Companies betting on Africa's growing affluence are being forced to come up with clever ways of doing business to get around the continent's dilapidated roads, shaky power supply and inept ports.

"If there isn't a well developed distribution network in place, many companies would take some of that obligation to get the product onto the market themselves," John van Wyk, Africa co-head of private equity firm Actis, told the Reuters Africa Investment Summit this week.

SABMiller not only runs a brewery in South Sudan but the world's No.2 beer producer also operates its own solar power and waste-water treatment plants after decades of civil war left the world's newest nation with virtually no infrastructure.

"When we first got there in 2009 there was about 4 kilometers of tarred roads," Mark Bowman, Africa regional head of SABMiller told the Reuters Africa Investment Summit this week. "We tend to be very self-reliant when it comes to Africa. We make no assumptions about the environment."

Outdated infrastructure remains one of the biggest challenges for investors wanting to invest in sub-Saharan Africa, where consumer spending power is expected to double to \$1.4 trillion by 2020 on the back of a rising population and relative political stability.

The region's infrastructure backlog needs \$22 billion a year to keep up with an annual economic growth rate of 7 percent, the African Development Bank said.

Areas such as sanitation, electricity and roads, have the greatest need for investment, the bank, which finances many of the conti-

nent's infrastructure projects, said.

South African construction firm Group Five, which also operates in the Middle East, also knows it has to play by different rules when it executes projects in most parts of the continent.

In one its projects in the DRC, Group Five put transport, accommodation, medical facilities and water in place for its 1,000 workers to get work done.

"Power, water and transport infrastructure in Africa is underdeveloped by a long shot ... We have to create a whole new island for ourselves," Mike Upton, Group Five's chief executive officer told the Summit.

Others such as South African grocery retailer Pick n Pay only invest in markets where they have existing infrastructure.

"The reason why we invest in contiguous (markets) is that we have infrastructure to get to those markets," said Pick n Pay chairman, Gareth Ackerman.

The company has no immediate plans to set up in Nigeria because the continent's most populous country is too far from its existing businesses and distribution networks in southern Africa.

"It won't be easy to supply into Nigeria from South Africa. There are no road connections and the ports are not always as efficient to get products in and out."

The rewards for companies prepared to take the plunge can become quickly apparent though. SABMiller's \$39 million South Sudan brewery, which gave the nation its first locally produced beer in 25 years, doubled its capacity last year to cater for surging demand.

"If ports were easy to get into, highways were all over the place, competition would be very different in Africa," SABMiller's Bowman said.



A woman walks at future site of the Angre bridge, built to allow better traffic conditions, in Abidjan.

REUTERS/THIERRY GOUEGNON

Additional reporting by Tebogo Mahlaela;

Editing by Jon Loades-Carter

Nigeria First Bank plans \$500 million bond later in year

BY CHIJIJOKE OHUOCHA
LAGOS, APRIL 18, 2012

Nigeria's First Bank Research, has appointed Goldman Sachs and Citi Bank Research, to manage the sale of a \$500 million Eurobond planned for later in the year, its chief financial officer told Reuters on Wednesday.

Speaking at the Reuters Africa Investment Summit in Lagos, Bayo Adelabu said the new bond would replace a \$175 million Eurobond, which it retired last month.

"We've appointed advisers for the bond - Goldman Sachs and Citibank - to launch the \$500 billion Eurobond," Adelabu told Reuters in an interview.

Nigeria in 2011 issued a \$500 million 10-year Eurobond, which set a sovereign benchmark in international capital markets and prompted corporate issuers to follow suit.

United Bank of Africa Research, also plans to issue a \$500 million Eurobond in the final quarter of this year or early next year to finance its foreign currency assets and expansion in Africa.

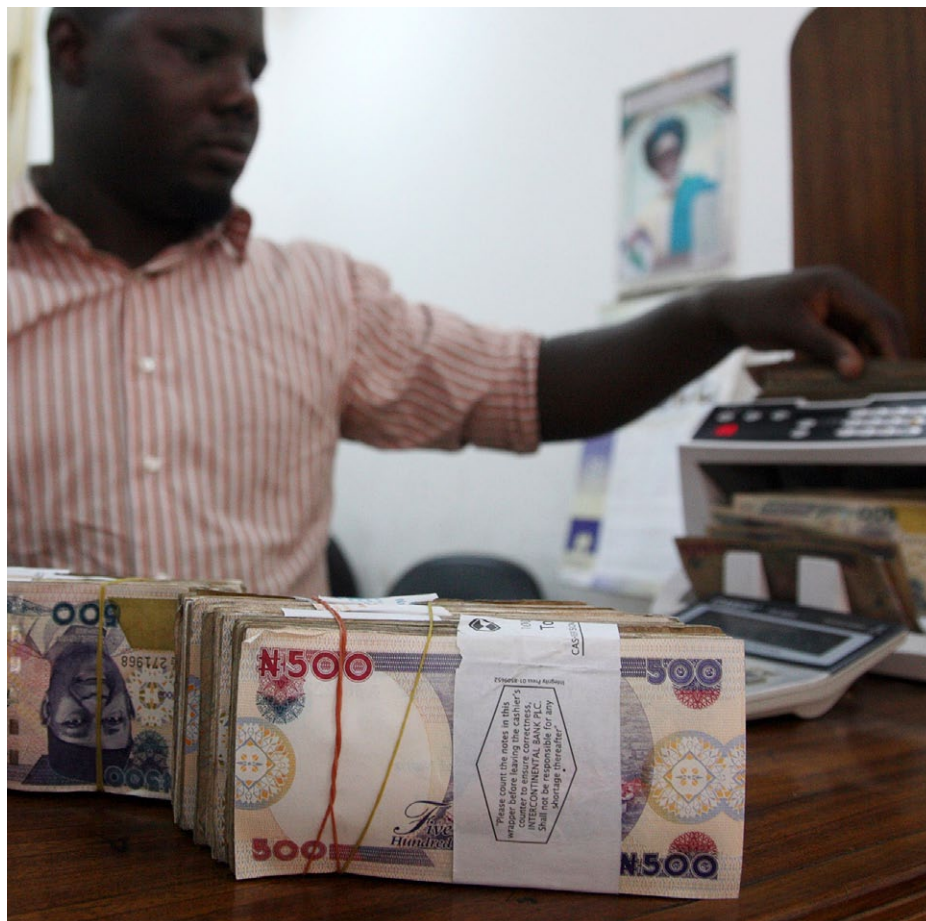
Nigerian lenders were hit by a financial crisis in 2008 that nearly bankrupted nine of them before a \$4 billion bailout. First Bank was not among those that needed rescuing.

Recovery since then has been rocky, with most banks reporting losses or profit declines for 2011.

First Bank bucked the trend, posting a 48 percent jump in 2011 full year pretax profits to 50.06 billion naira (\$318 million) on Tuesday.

Adelabu said the lender had started to pursue a pan-African strategy, with a 75 percent acquisition of BIC Bank in the Democratic Republic of Congo last year, and was in the talks to acquire a bank in a major west African country, which he declined to name.

He said the bank had identified 10 countries in Africa where it would want to



A money dealer counts the Nigerian naira on a machine in his office in the commercial capital of Lagos, January 13, 2009. REUTERS/AKINTUNDE AKINLEYE

expand its footprint.

"What we are doing is to acquire one or two (per country) and see how much they can contribute to the group," he said, adding that the bank would expand outside Nigeria only through acquisitions, not greenfield start-ups.

Nigeria's biggest bank by assets plans to increase its loan book by 10 percent in 2012, targeting sectors within the oil and gas, infrastructure and agriculture sectors, he said. Adelabu expected returns on equity of around 16-18 percent in 2012.

First Bank had 1.2 trillion naira in loans

in 2011, 2.6 percent of them non-performing, he said, compared with 7.8 percent in 2010.

Adelabu said there was a large retail population in Nigeria to which his bank was looking to extend loans, but it was still assessing the risks, particularly for low-income customers.

The bank plans to add 120 new branches to its existing 630 this year and add 500,000 new customers to reach 6 million in 2012, he said.

Editing by Tim Cocks and Jane Baird

Angola rebuilding to attract capital for farms, mining

BY SHRIKESH LAXMIDAS
LUANDA, APRIL 20, 2012

Angola's rapid rebuilding after a devastating civil war will attract foreign companies to invest in its ample natural resources and help diversify the economy away from oil, the new head of the country's investment agency said.

Maria de Luisa Abrantes, President of the Angolan Agency for Private Investment (ANIP), also told Reuters that a new investment law passed in 2011 is helping the government approve foreign investment projects more rapidly and monitor their effectiveness more closely.

"By clearing the mines left by the war, we not only started but then sped up the reconstruction of infrastructure. You can see we are working day and night," Abrantes said. "Without that, it would be impossible to diversify the economy."

Angola is Africa's second-largest oil producer after Nigeria and crude output represents 45 percent of the country's GDP and over 95 percent of export revenues.

Oil has helped it post rapid growth after a long civil war ended a decade ago - GDP is expected to expand over 10 percent this year - but analysts say it must diversify its economy to reduce the possible effects of crude price drops.

The government has recognized this need, and last year passed new rules for foreign investment, offering incentives such as tax breaks, reduced red tape and giving ANIP more authority to approve the incentives for various sectors.

Some investors say the approval of projects under the law is slow, but Abrantes said ANIP has kept to the timetables.

"The law sets deadlines, including for the president, who has to approve projects above \$10 million, which shows we are willing," she said, adding that delays have often



Speedboats sit beneath the backdrop of Luanda. REUTERS/RAFAEL MARCHANTE

resulted from incomplete information provided by prospective investors.

"Even the large projects, which have to be approved by the cabinet, are taking only 40 to 45 days," Abrantes added.

The law also offers incentives for investment in Angola's interior provinces and forces companies to hire local staff in the medium-term of project lifecycles.

Angola has a poor record in fighting corruption, but Abrantes said the type of "serious" investors the country wants to attract follow the laws and are not put off.

"You can say there is corruption, and it exists, but there is no country in the world without it. No foreign investor who bribes an Angolan can come and complain afterwards," she said.

Since her appointment in November, the agency has approved 23 projects, totaling 1.84 billion euros in proposed investment, she said.

Angola is the largest recipient of foreign direct investment in sub-Saharan Africa, with data from U.N. agency UNCTAD showing inflows of nearly \$10 billion in 2010, though down from \$16.5 billion two years earlier due to the global financial crisis.

Abrantes said those flows include investments in oil projects, adding that inflows for non-oil sectors alone came in at \$13.6 billion in 2007-2011.

The government's focus is now on rebuilding road, railway, energy and water grids to attract capital for key sectors.

"We have priorities. First agriculture, then light industry, and when infrastructure is ready, heavier industry," she said.

Angola's mineral wealth, besides oil and diamonds, also offer opportunities for foreign investors.

"We know the mineral resources we have, and we are putting together a guide for investors, showing what each province holds," Abrantes said.

"But it comes back to infrastructure. No one can export minerals without roads."

ANIP expects its main overseas investors - China, Portugal, Brazil and the United States, the latter though often through "fiscal paradises" like the Cayman Islands - to remain strong partners, but others are queuing up too.

"We have some Italian and Spanish investors, Germany last year signed cooperation deals, Japan and Argentina have sent delegations recently, and France has also shown interest," Abrantes said.

"That shows there is a great appetite for our market."

Reporting by Shrikesh Laxmidas; Editing by Hugh Lawson

StanChart eyes \$2.5 billion of Africa revenue in five years

BY HELEN NYAMBURA-MWAURA AND
ENOS PHOSA
JOHANNESBURG, APRIL 18, 2012

Standard Chartered aims to double its African revenues to \$2.5 billion in the next five years and is mulling opportunities in fast-growing economies such as Senegal, its head of Europe, the Middle East and Africa said on Wednesday.

The London-based emerging markets lender spans Asia and Africa, but lacks exposure to slow-growing European markets or U.S. subprime mortgages, making it one of few Western banks with the money to expand operations in the under-served continent.

"If my business was \$1.3 billion last year, my aspiration and ambition is that within the next four to five years, that gets to \$2.5 billion, roughly double," V. Shankar told the Reuters Africa Investment Summit.

The growth will entail increasing headcount past the current 7,000 and adding an extra 100 branches across the continent by 2015 from 160 presently, he said in an interview at Reuters offices in Johannesburg.

Seven of the 16 African countries that Standard Chartered operates in made revenues of over \$100 million each last year, Shankar said.

The group is also exploring the possibility of entering fast-growing markets such as Senegal, Mozambique, Ethiopia and South Sudan.

Africa will have more of the fastest growing economies in the world this year and next - with 12 countries in the top 25, according to a research note from Renaissance Capital on Wednesday.

Asia will have 11 while Latin America will manage just two.

Shankar said the London bank was not actively hunting for acquisitions.



A woman walks down the stairs of the Standard Chartered headquarters in Hong Kong.

REUTERS/BOBBY YIP

"My first preference always is organic growth. We will look at inorganic options," he said.

"We get approached all the time. If the price, culture, fit and synergy is right, we should look at it to be responsible to shareholders, but I haven't found anything that makes me excited."

FEAST OR FAMINE

Standard Chartered said its fastest growing segment of the market is Islamic finance. In Pakistan, the financing that complies with Islamic laws of lending, is growing three times faster than the traditional conventional market.

There is also increasing interest for yuan-denominated bonds from African firms with business in China or those just looking to diversify their investor base, Shankar said.

Shankar said with some Western banks retreating from frontier markets such as Africa, local and regional banks on the continent would bite off a bigger share of the market.

The world's biggest banks are raising billions of dollars to increase their capital and

liquidity levels in line with tough new global rules known as Basel III to be phased in from 2013 aimed at creating a bigger safety net.

"International banks are becoming a diminishing breed. So there will be a handful of international banks (and) South African banks becoming more and more focused on Africa or the emergence of new regional champions like Ecobank," Shankar said.

Standard Chartered jumped into fourth place on African investment banking fee league tables in the first quarter of this year, whereas it did not appear in the 10 top spots in the same period a year ago.

"It's a business much like the Masai Mara," he said, referring to the Kenyan game reserve famous for a carnivore feeding frenzy during a few months of a wildebeest migration.

"It is feast or famine. You sometimes hunt the big elephants and you land them, and you move up the league tables and fee tables, but sometimes you go hungry."

Additional reporting by Tebogo Mahlaela and Tshepo Tshabalala; Editing by David Dolan and Jon Loades-Carter

Nakumatt: From mattress shop to African chain

BY DUNCAN MIRIRI
NAIROBI, APRIL 19, 2012

Nakumatt, Kenya's largest retailer, plans to expand across Africa by focusing on opening stores in more eastern Africa countries over the next two years, its managing director said.

After starting three decades ago as a small mattress shop in the provincial town of Nakuru, family-owned Nakumatt has grown into a firm with \$500 million annual turnover and pan-African ambitions.

It aims to raise sales to 50 billion shillings (\$600 million) this year from last year's 40 billion, at its 36 stores in Kenya, Uganda, Rwanda and Tanzania, Atul Shah told the Reuters Africa Investment Summit.

He said Burundi and South Sudan were the next targets and space had already been identified in both.

"It is a 12-18 months project to get what we want," Shah said at the Reuters office in Nairobi. The stores would cost between 2 and 3 million euros.

Shah said he was not concerned at the growing conflict between South Sudan and Sudan, expecting it to be resolved by the time Nakumatt moved in.

Shah said he was also looking to set up a joint venture in Ethiopia, one of the most populous countries in Africa, and hoped to be established in a couple of years.

Nakumatt then aims to turn its sights to the rest of the continent, going head-to-head with South African retailers who

dominate the southern part of the continent and are opening stores in West Africa.

"We are looking at how we can take this brand to the west, to the south and north. Of course once we get onto Ethiopia there is nothing stopping us going all the way," he said.

SUITORS

At least 10 parties were interested in a 25 percent stake that Nakumatt is selling to fund expansion, Shah said, illustrating the potential of a sector with annual growth of 15-20 percent even before accounting for any takeovers.

"Everybody is talking about Africa, especially east Africa, which is growing faster than any other region," he said.

The interested parties include larger foreign chains and private equity firms. "Private equity would be more favorable for us," he said.

Strong economic growth rates in Africa in recent years have given rise to a new breed of consumers, helping drive up shares in local retailers such as Kenya's Uchumi, which are up 85 percent this year to date.

Consumers have also caught the eye of global retailers such as Wal-Mart, which acquired South Africa's Massmart last year in a \$2.4 billion deal.

Shah, a 40-year veteran of the retail business, said consumer patterns have changed in the last five years.

"At one time it was price, price, price. Now it is not price any more, it is brand, quality," he said, adding that shoppers want "the latest of everything" as populations grow and middle classes expand.

"The growth is assured for the next 10 years," he said.

Editing by Yara Bayoumy and Matthew Tostevin



People shop at a Nakumatt store in an upmarket area of Nairobi. REUTERS/NOOR KHAMIS

Africa to be next boomtown for private equity

BY COSMAS BUTUNYI AND DAVID DOLAN
JOHANNESBURG, APRIL 19, 2012

Africa is the next big thing, just ask Bob Geldof and other private equity bankers.

The Irish rocker made headlines in February when he announced the launch of his \$200 million “8 Mile” fund, a sign the Live Aid organiser had turned from promoting debt forgiveness to private enterprise.

Like the former Boomtown Rats frontman, more private equity investors are flocking to the continent, drawn by the prospect of outsize returns.

The signs of Africa’s stunning potential are obvious: 6 percent average GDP growth, fast-rising incomes and abundant resources. So far, much growth has been beyond the reach of international investors given the region’s small and largely illiquid capital markets.

But for private equity firms, with their natural bent toward unlisted companies and longer investment horizons, Africa’s hurdles are not insurmountable.

“I tell our investors that I think Africa is still probably the best-kept secret because we continue to make superior returns,” John van Wyk, the co-head for Africa at emerging markets private equity firm Actis, told the Reuters Africa Investment Summit this week.

Actis, which also has a presence in Asia and Latin America, is aiming to invest \$300 million a year in Africa, with the bulk of that in the continent’s biggest economies, South Africa, Egypt and Nigeria.

U.S. firm Carlyle Group LP, which set up shop on the continent last year, is now looking for investments across sub-Saharan Africa and particularly in Nigeria, its Africa co-head told the Summit.

Even domestic pension funds are interested.

The chief executive of South Africa’s



Singer and political activist Bob Geldof (L) speaks during a news conference on the situation in the Horn of Africa at the U.N. headquarters in New York. **REUTERS/JESSICA RINALDI**

\$125 billion government pension fund told Reuters last week it could invest as much as \$3.8 billion in private equity to boost its Africa exposure.

“(African) markets are characterized by thinly listed equities. So what is likely going to drive us going forward is private equity, developmental funding and property,” Elias Masilela, the head of Public Investment Corporation, said in an interview ahead of the Summit.

BIG RETURNS

The attraction is of course in the hefty returns. Bankers say private equity investors generally expect a return well above twice their initial investment when putting money into the continent.

That is a reflection of Africa’s higher risk - both real and perceived - and greater growth potential when compared to developed markets, bankers say.

Investors in many of Africa’s public capital markets have not been so lucky as of late.

Over the last two years, South Africa’s stock market has risen 11 percent in dollar terms, while Nigeria’s has tumbled 27 percent and Kenya’s 20 percent.

Bankers told the Summit they are particularly interested in infrastructure, consumer goods and financial services, all

industries which benefit from the rise of African consumer spending.

While there is much excitement about Nigeria, the continent’s most populous country and an oil producer, investors should not neglect east Africa, said Alexandra Aime, a Johannesburg-based director at Emerging Capital Partners.

The region, which includes Kenya, Uganda, Tanzania, Burundi and Rwanda, is attractive given its robust demographics, GDP expansion and economies that are not solely reliant on oil to fuel their growth, she said.

“We really see Kenya leading the path, being an entry point or a gateway into the rest of east Africa, and quite a compelling one,” she told the Summit in Johannesburg.

Still, private equity investors face their own challenges, particularly in exiting their investments. In more developed markets, funds can exit via an initial public offering. In many smaller African markets that is not an option.

“The trick in private equity is not investing, it is divesting,” V. Shankar, Standard Chartered’s head of Europe, the Middle East and Africa told the Summit.

Standard Chartered, the London-based bank, also has a private equity business in Africa.

But bankers say they are increasingly seeing interest from Brazilian, Chinese and Indian buyers looking to get a foothold in the region. Over time, that is likely to give private equity firms more exit options.

“Exit is one of the biggest questions we ask ourselves at the time we enter into a deal. We try and invest in businesses that will have strategic appeal to a trade buyer,” said Actis’s van Wyk.

“If you have made the right acquisition initially, there is no shortage of potential trade buyers when you come to sell.”

Editing by Jon Loades-Carter

Africa's stunning growth doesn't come cheap

BY HELEN NYAMBURA-MWAURA
JOHANNESBURG, APRIL 19, 2012

There is a lot of hype and excitement around Africa as the next hot spot for global investors but what they are quickly learning is that acquisitions do not come cheap.

Africa, long seen as a basket case and only good as a source of minerals and metals, is turning around: democracy is taking root, wallets are getting fatter and populations younger. The International Monetary Fund sees sub-Saharan Africa growing at 5.4 percent this year against 1.4 percent for rich economies.

Buyers seeking a piece of that future growth are having to pay a premium now because sellers know opportunities with scale are slim. Also, new investors come expecting bargains because the continent is seen as poor.

"Valuations on the whole are challenging at the moment, but that doesn't mean you can't find individual opportunities," said Marlon Chigwende, co-head of sub-Sahara for private equity firm Carlyle Group.

Some bankers say Africa's biggest telecoms operator MTN is a good example of a company that paid what was considered a hefty price at the time, for the right to start operations in Nigeria just over a decade ago.

It paid \$285 million for a mobile license in Africa's most populous country. Now it has over 41 million subscribers and banked revenues of 34.9 billion rand (\$4.47 billion) in 2011.

The world's biggest retailer Wal-Mart bought a majority stake in South Africa's Massmart for \$2.4 billion in 2011, a 19 percent premium to the 30-day volume weighted average price.

Sub-Saharan Africa's attractiveness as

an investment destination has risen to fifth place this year from seventh in 2011, according to a survey by the Emerging Markets Private Equity Association.

Opportunities traditionally existed in mining but speakers at Reuters Africa Investment Summit this week have pointed to consumer and banking services sectors as the next big thing.

Actis, another private equity firm in emerging markets, said it was recently outbid in a North African deal by a trade buyer that offered 12 times EBITDA, or earnings before deductions such as tax and interest.

Valuations on the continent are, however, cheap compared with price demands in bigger emerging economies in Asia.

"Valuations, depending on the sector, can be quite high but ... compare that to the 16 times EBITDA multiple you are being asked for in India or China, that's kind of stratospheric stuff," said John van Wyk, the firm's co-head for the region.

One banker said new investors on the continent came with preconceived ideas of where valuations should be, which was often their first mistake.

"It's one of those things that kill me when people come to Africa: very few people really know anything about Africa but most people come to Africa with a view that ... they have a right to project a view on Africa," he said, preferring to remain anonymous.

FINDING THE RIGHT TARGET

Even where companies are willing to pay a premium for a good target, companies of the right size are hard to come by. Every big African brewer, for example, has been spoken for, according to SABMiller's head for the region, Mark Bowman.

"No one is getting anything for a reasonable price any more, you are paying for a future opportunity a significant premium. Anything that would become available

would be aggressively priced and one would have to take a view if it's worth it," he said.

Diageo coughed up a frothy \$225 million for an Ethiopian state brewery last year, months after Heineken paid \$163 million for two other beer makers there.

Private equity firms need to avoid auctions to keep a lid on valuations, according to Alex-Handrah Aime, a director at Africa-focused Emerging Capital Partners.

The private equity firm is opening an office in Nairobi, its seventh office on the continent, to snatch east African opportunities.

"It's a competitive process. If you end up in an auction situation ... the person who pays the most is going to win. That's not necessarily the valuation that is going to be most sensible," she told Reuters.

One way of bridging the valuation gap is for buyers to start with a convertible bond, instead of taking up equity at the onset, Aime said.

Some investors have simply walked away from hefty prices.

South Africa's second-largest banking group FirstRand dropped its bid for Nigeria's Sterling Bank last year after the two disagreed on price.

Vendors are playing hard ball knowing well that suitors are desperate to get a toe-hold on the world's next hot property despite the problems the continent has yet to shake off.

"We are quite bullish about the continent but Africa doesn't come without its challenges," Actis' van Wyk said.

"If you look at the performance of investments we have acquired in our most recent fund, I think there is reason to be quite bullish."

\$1 = 7.8106 South African rand

Additional reporting by Enos Phosa, Tebogo Mahlaela and Tshepo Tshabalala; Editing by Jon Loades-Carter

AFRICA INVESTMENT SUMMIT 2012 SUMMIT SPEAKERS



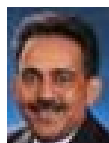
Uhuru Kenyatta
Deputy Prime Minister
Government of Kenya



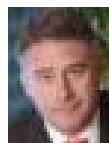
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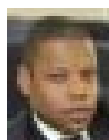
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