

# MANUFACTURING AFRICA



Manufacturing Africa aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO).



## OPAL – CASE STUDY

### *Restructuring capital to respond to the effects of COVID-19*

Orbit Products Africa Limited (OPAL) held by Stellar Holdings Limited is a leading group in the contract manufacturing of soaps, detergents, chemicals and cleaning solutions. Based in Nairobi, it provides an integrated manufacturing business model to its portfolio of global multinational and leading regional clients

## THE CHALLENGE

As a result of the COVID-19 pandemic, OPAL was facing challenges with working capital. Suppliers were thinning their credit terms and collections had slowed, putting the company in an unsustainable debt position. To overcome this, OPAL wanted to restructure its capital.

To overcome these challenges, OPAL entered into a lease-and-sale back structure with Grit Real Estate Income Group. Under this type of structure, a company sells its property to an external party and leases it back at an annual charge

500

Direct



1500

Indirect jobs

## OUR SUPPORT

OPAL therefore requested Manufacturing Africa's support to:

- **Structure the deal** to resolve the financing requirements in the best possible way for stakeholders: pure debt was unsustainable and pure equity was not beneficial to the shareholders because they would lose significantly. The lease-and-sale back structure was identified as the best for the company.
- **Review the Information Memorandum** to include information and the transaction structure and other investor-focus areas.
- Preparing shareholders and directors for meetings with potential investors to increase the likelihood of closing the deal.

## IMPACT

Manufacturing Africa's support helped to facilitate the restructuring deal, as a result of which OPAL now has the potential to:

- **Create 500 direct and 1,500 indirect jobs;**
- **Help Kenya combat COVID-19.** OPAL's production of essential goods such as hand sanitisers and cleaning products helps to meet the spike in demand for these products.

## LESSONS LEARNED

**Thorough analysis and regular engagement are crucial.** Lease-and-sale back deals are unusual in Kenya where ownership of real estate is considered important. Thorough post-investment analysis and regular engagement convinced the promoters and shareholders that the new structure would be the most appropriate for the company in the circumstances.

*This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.*

## CONTACT US

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