

The Investor



Affirma Capital is an emerging market private equity firm established through the spin-off of Standard Chartered Private Equity from Standard Chartered Bank in 2019. The team has deployed over USD6.5 billion in more than 100 companies across Asia, Africa and the Middle East. Affirma Capital has offices in Johannesburg, Dubai, Mumbai, Singapore, Shanghai and Seoul.

FUND NAME

Marina III

FUND SIZE

USD567m

TOTAL AUM

USD3b

The Company

yes we can



GZ Industries (GZI) is one of the largest manufacturers of premium-quality aluminum beverage cans in Africa. Founded in 2010, GZI operates two manufacturing facilities in Nigeria and one in South Africa, with a production capacity of three billion cans per year. GZI is a supplier to several multinational beverage companies, including Coca-Cola, Heineken, AB InBev and Diageo, as well as local brands such as Nigerian Breweries.

LOCATION

Nigeria and South Africa

SECTOR

Manufacturing

WEBSITE

www.gzican.com

DATE(S) OF INVESTMENT

MARCH '15

AMOUNT

CONFIDENTIAL

STAKE

MINORITY



Beverage producers across the globe have begun to prioritize putting their products in aluminum cans rather than glass and plastic containers. In addition to being indefinitely recyclable, cans are non-breakable, lighter than glass, enable a longer shelf life for beverages and offer companies a 360-degree branding opportunity. These benefits have accelerated the use of aluminum cans in emerging markets, including Sub-Saharan Africa.

In 2015, the local can manufacturing industry in Nigeria was still relatively nascent, forcing beverage companies to import most of their cans. This process was inefficient due to logistical bottlenecks, long delivery lead times and high costs. GZ Industries (GZI) was well situated to meet the region's unmet demand for locally produced cans. GZI opened a can manufacturing plant in Agbara, Nigeria in 2010 and had already secured relationships with several blue-chip beverage producers, including Coca-Cola and Heineken.

Private equity firm Affirma Capital saw an opportunity to help GZI transition from an owner-managed business and expand production capacity both within and beyond Nigeria. The Affirma team believed that aluminum cans would soon be the beverage packaging of choice in Sub-Saharan Africa based on similar industry dynamics in markets such as Latin America. Affirma's Marina Fund acquired a minority stake in the company in March 2015.

The Deal

Affirma's goal was to transition GZI from a single-plant, single-country operation into a multinational packaging business. With Affirma's support, GZI launched a second manufacturing facility in Aba, Nigeria in 2015. The company had ambitions to subsequently enter the Kenyan market in 2016 but ultimately abandoned this plan due to challenging market conditions.

Instead, Affirma helped GZI pivot its expansion strategy with the opening of a South African plant, backed by several anchor customers including Coca-Cola, in 2019. When GZI needed additional capital to fund commissioning-related costs beyond the already acquired plant and machinery, Affirma led a fundraising process that resulted in an investment from a financial sponsor. Affirma also recruited the management team for the South African business and put in place its governance structures.

GZI, like many businesses in Nigeria, has had to navigate the challenges of foreign exchange illiquidity and supply chain disruptions, particularly following the 2015 and 2020 decline in crude oil prices. The Affirma team helped GZI manage its balance sheet during these cycles, including leading a refinancing in 2019 to obtain better funding terms. In 2023, Affirma reshaped GZI's balance sheet by securing a multi-currency USD47 million debt funding package that will enable GZI to address macroeconomic volatility while providing flexibility to support growth.

Building local expertise around GZI's manufacturing processes is of utmost importance to the company. Nearly 12,000 training hours were completed across Nigeria and South Africa in 2022. GZI established a Can Academy in 2023 to create a systematic approach to training local engineers to make world-class cans. The company utilizes a hybrid training model that includes both in-person classes and online courses, and employees can be certified at four levels from novice to expert through the multi-year program.

"GZI is accelerating the development of local industry in Africa by transferring the best technology in the world for manufacturing cans. Our highly integrated, high-speed beverage line starts with aluminum coil and ends with pallets of premium-quality printed cans. We are continuously innovating and training our workforce on the various complicated processes that happen in the middle. As a result, even our most experienced can-makers are still learning new skills daily."

—Jim Judson, Group CEO of GZ Industries

Inclusive & Sustainable Growth

GZI implements international best practices for making cans as it is required to meet the global standards of its largest customers such as Coca-Cola, Guinness, Heineken and ABI InBev. In 2021, Affirma worked with GZI's management team to create a more systematic ESG management framework. An ESG consulting firm was appointed to assist with the project, with direct oversight and support from the board. Affirma also aligned GZI's executive KPIs with ESG outcomes.

In July 2023, GZI became the first can maker in Africa to receive the Aluminum Stewardship Initiative (ASI) certification. This global



framework focuses on fostering responsible production, sourcing and stewardship of aluminum across the value chain. GZI is one of a few companies to receive this certification upon first submission. Additional global certifications the company has received include ISO9001, ISO14001, ISO45001, SEDEX and FSSC22000.

Recycling aluminum can save up to 95% of the resources required to make new aluminum. GZI insists its aluminum coil suppliers maintain a high percentage of recycled content as part of its responsible sourcing policy and is encouraging them to join ASI. As of September 2023, GZI uses 84.2% and 56.1% recycled content in its Nigeria and South Africa operations, respectively. This is above the target of 50% set by the company's anchor customers.

GZI actively encourages local recycling, having funded several initiatives, including the *Used Aluminum Beverage Cans Recycling Scheme* for nearby schools. This program offers rewards, such as chairs, lockers, ceiling fans and projectors in exchange for used cans. In Nigeria, the company has launched a pilot to try to bring back two billion cans to create a closed loop in the supply chain and ensure all cans are 100% recycled. GZI has set a goal to collect the first 20 million cans by December 2023. In July 2023, GZI joined the Food and Beverage Recycling Alliance to brainstorm additional ways to recycle as an industry.

Outlook

The Affirma team believes that GZI has successfully transformed into a regional champion in Africa's beverage packaging industry. Since Affirma's investment in 2015, GZI has grown to employ 708 employees and 394 subcontractors across its operations, with customers based in over 12 countries across Sub-Saharan Africa in 2022. GZI has also performed well financially as revenues and EBITDA have both increased at a double-digit compound annual growth rate on a constant currency basis between December 2015 and December 2022. ●