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## A Diamond in Africa's Energy Rough

by Peter C. Thoms, CFA

Our Africa strategy is focused primarily on infrastructure and the consumer-facing sectors in sub-Saharan Africa. Despite the fact that energy companies abound on the continent, right now we have investment exposure to just a single energy company in all of Africa: Kenya's KenolKobil (Symbol KENO on the Nairobi Securities Exchange).

KenolKobil is a marketer of petroleum products mostly for the downstream market. The company owns gas stations in Kenya, Ethiopia, Uganda, Rwanda, Burundi, Zambia and Congo and has approximately 420 service stations spread across these countries.



Photo: kenolkobil.com

We have a position in KenolKobil not because we are overly excited about the energy marketing business, which, in the end, is a very difficult business in which to gain a competitive advantage. We own the stock because we have a high degree of confidence in both the business strategy driven by Group Managing Director David Ohana and in his ability to execute.

I met with Mr. Ohana in Nairobi in May 2014, where he laid out his vision for KenolKobil for the next several years. Among his goals: eliminating debt, simplifying the business by engaging in less energy trading, cleaning up distractions such as ongoing lawsuits, selling underperforming stations and exiting operations in difficult, unprofitable countries. We believed then—and still do—that CEO Ohana's strategy will continue to generate still higher profits and a higher stock price. He has turned the company around in dramatic fashion.

This article from Kenya's Business Daily does a good job of succinctly describing the ongoing progress at KenolKobil:

### KenolKobil to be debt free in three months, CEO says

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