Leather investment opportunity in Kenya

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Kenya Leather Development Council
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EQUITY

Note: Report has been published in March 2025, all content covered in this report is accurate as of this date

"Kenya's leather sector offers immense value addition. From wet blue exports to finished goods, we are unlocking new opportunities"

His Excellency Dr. William Ruto, C.G.H.,
President of the Republic of Kenya

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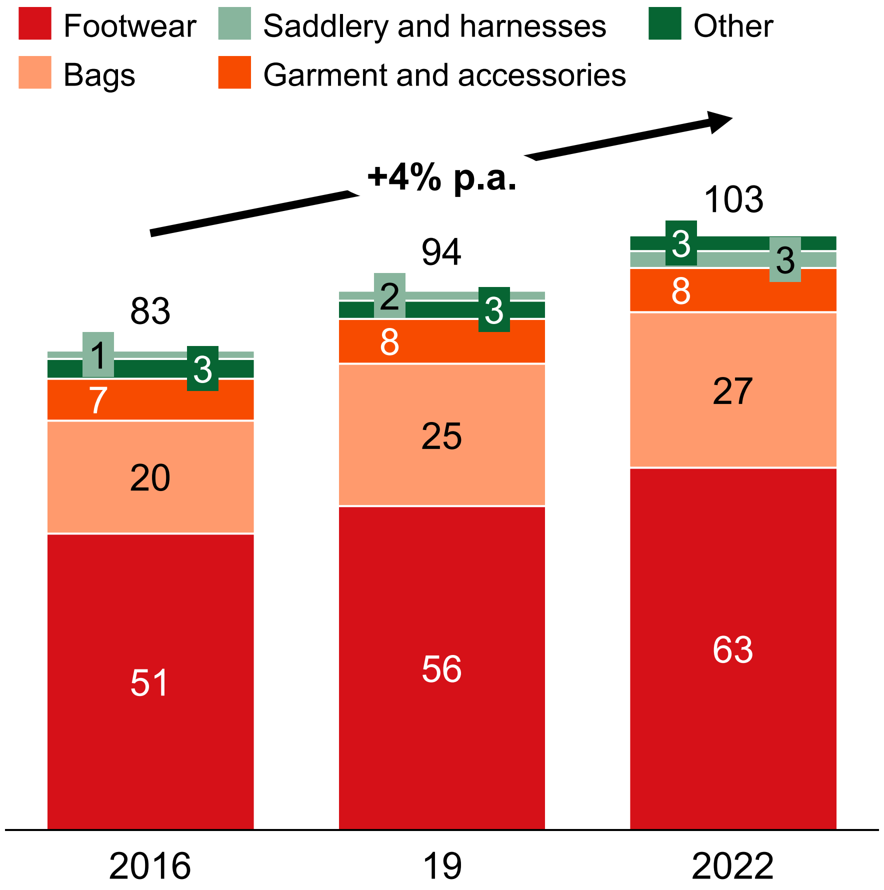
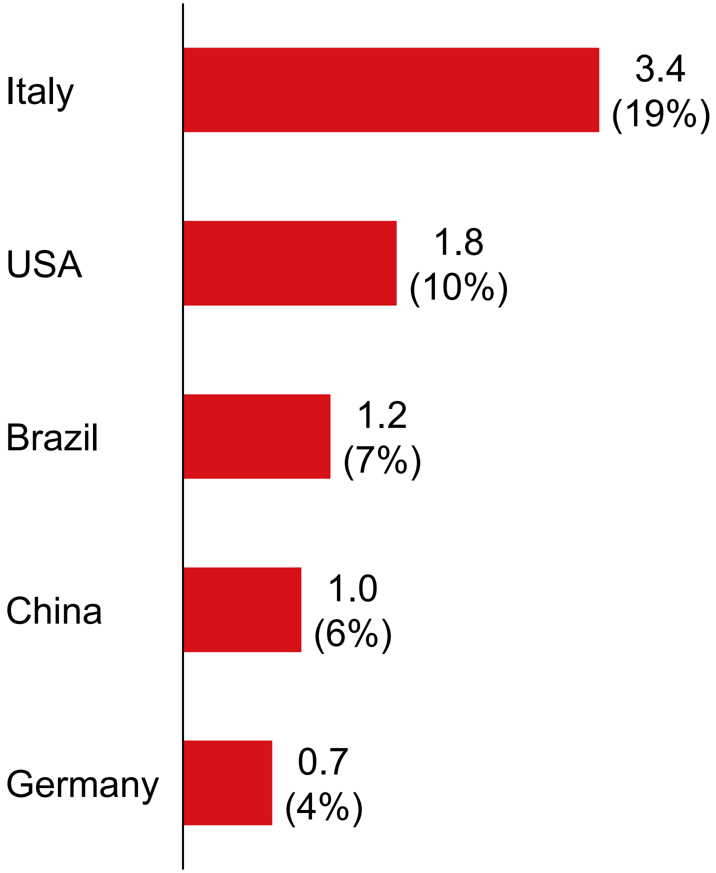
The global leather products market is worth >$100 billion and has grown at ~4% per annum since 2016

Global exports of leather products, $ billion



Top 5 exporters of leather[1], 2022, $ billion (% of total)



1 Raw, semi-processed, and finished leather

Source: UNCOMTRADE

Key trends

The global leather market has seen **steady uplift** (~4% compounded annual growth rate since 2016), primarily driven by growth in leather footwear consumption

There is a growing trend of **supply chain diversification** by global fashion brands, as they look to establish new sourcing destinations to improve resilience to disruptions and optimize costs (i.e., as Asian labor costs increase)

From production to manufacturing, the leather industry offers multiple investable opportunities across the value chain

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NON-EXHAUSTIVE

Select investment opportunities covered in this document

Producers

Raise livestock employing good animal husbandry practices to produce meat and high-value byproducts including hides and skins used for leather production

Slaughterhouses

Remove hides and skins from animals using proper flaying and preservation techniques to ensure high-quality of hides and skins

Tanneries

Transform raw hides and skins into leather across 3 main stages: wet blue, crust, and finished leather – a complex process involving cleaning, tanning, and finishing techniques

Manufacturers

Create finished leather products, from footwear to furniture, connecting the leather industry to the end consumer

This involves mastering techniques such as cutting and stitching

Broader ecosystem players

- **Chemical providers – Manufacture, supply and testing of chemicals** for the tanning process
- **Workforce training providers – Train workers** to improve capabilities on complex techniques (e.g., flaying at the slaughterhouse to stitching at the footwear factory)
- **Input suppliers – Supply accessories** (e.g., soles, laces) required for leather footwear / leather goods manufacturing
- **Financiers – Provide financing** and other financial services to facilitate investment and trade for businesses
- **Logistics providers – Offer aggregation and transport services** across the value chain

Throughout the leather value chain, Kenya presents distinct advantages for growth, making it a prime location for investments in the sector

Unique competitive advantages set Kenya up to become a global hub in the leather industry

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DETAILED AHEAD

Raw materials endowment

11th largest herd size globally with over 80Mn heads of livestock

Sector expertise

Already established leather sector with 10+ operating tanneries, 20+ manufacturers

Cost competitiveness

Comparable production costs against global leather export giants

Wide market access

Free Trade Agreements covering leather and leather products with major importers

Enabling environment

Priority value chain for the Government of Kenya

State-of-art leather cluster with the Kenanie Leather Industrial Park

Favorable investment ecosystem

Safe and attractive investment landscape, backed by global endorsements and strategic advantages

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Kenya is endowed with abundant raw material…

#11

Herd size globally[1] (#5 in Africa)

#10

Goats and sheep herd size globally (#5 in Africa)

#15

Cattle herd size globally (#5 in Africa)

Kenya's livestock population (11th largest globally), with **>21Mn cattle** and **>58Mn goats and sheep**, presents a **substantial resource base for the growth of its leather industry**

…and talent to capture leather's growth opportunity

~70%

Population under 35 years old

60%

Efficiency[2] of the labor force (vs. ~45% in Ethiopia)

Further boosting Kenya's leather industry potential is the availability of a **young, trainable and productive workforce**

1 Includes cattle, buffalo, goats and sheep
2 Manufacturing production efficiency - benchmarked on the apparel industry

Source: FAOSTAT, 2023; apparel productivity benchmarks, Kenya National Bureau of Statistics

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Kenya’s leather industry has a robust existing value chain involving thousands of businesses

Value addition from raw materials

49 Large slaughterhouses

322 Medium slaughterhouses

1,735 Slaughter slabs

13 Operating tanneries

Including

3 Large tanneries processing >10Mn sq. ft of leather yearly

22 Mid to large scale manufacturers[1]

~400 Micro, small and medium enterprises[1]

~$80Mn

Size of Kenyan leather industry, including leather and products (2022)

~17K

Direct jobs in the leather industry (2022)

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1 Primarily of footwear (e.g., men's dress shoes, military/security boots) and leather accessories (e.g., belts, sandals)

Source: Status report on the leather and footwear sector in Kenya, 2022. Kenya Markets Trust (2020). The Economics of Modernizing the Meat Industry in Kenya: Untapped potential of meat industry in Kenya. KMT Livestock Research, KAM leather sector profile

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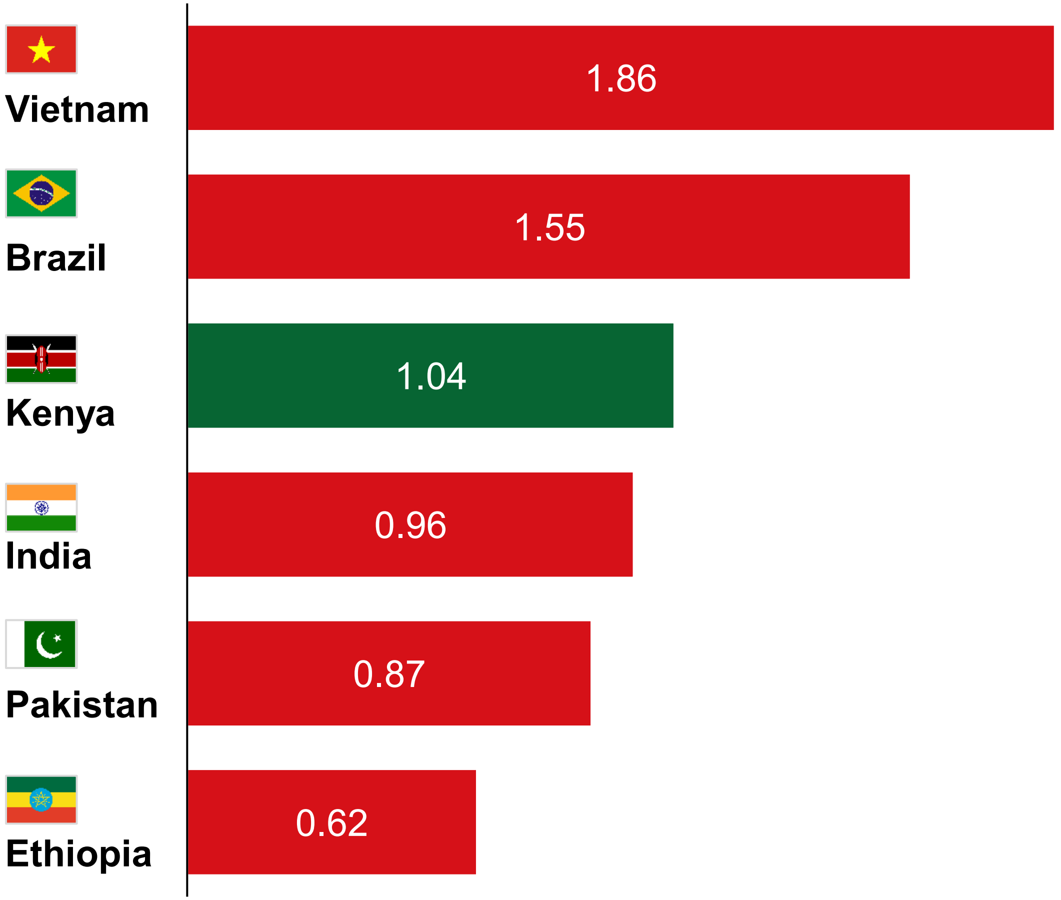
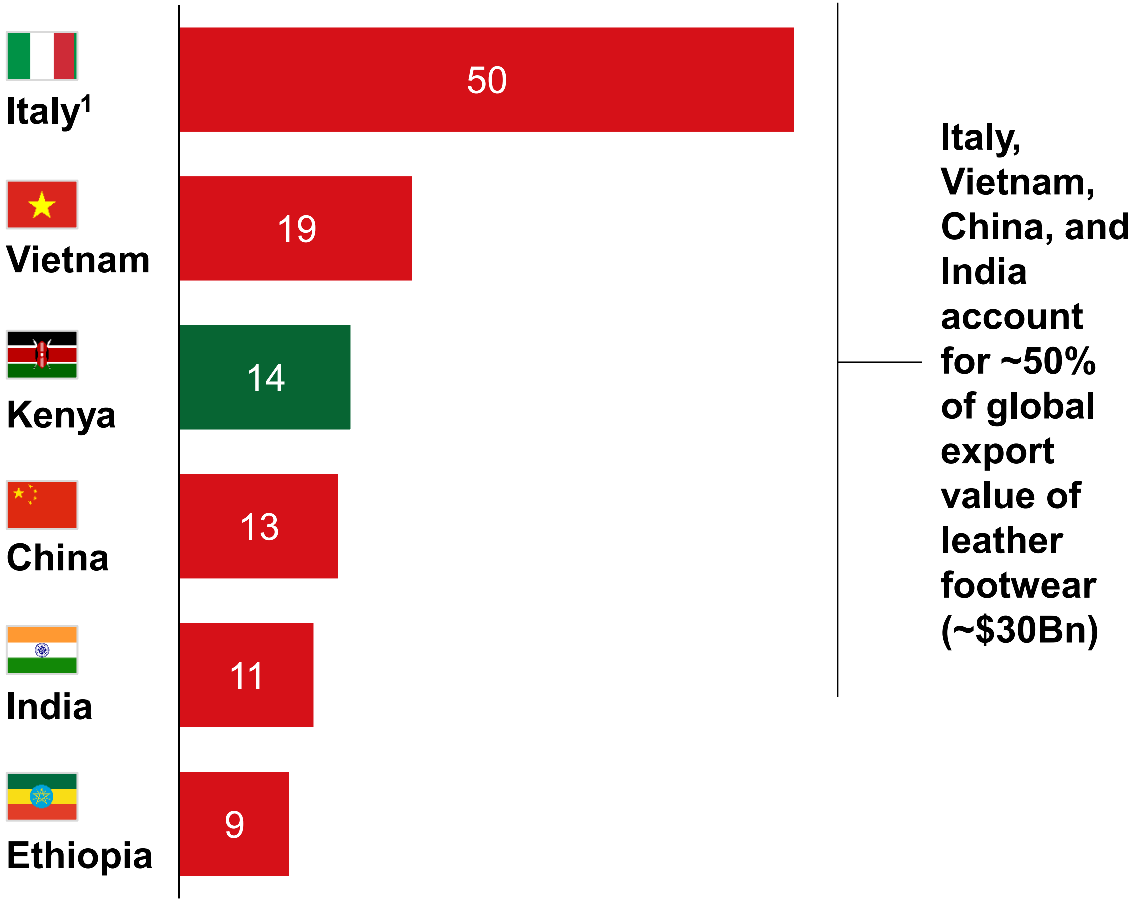
For finished leather and footwear, Kenya's cost of production is comparable to global export giants such as Vietnam and China

Finished leather, production costs, $ per sq. ft



Men's leather dress shoes, production costs, $ per pair



Note: The cost competitive analysis controls for quality, as all countries listed on the charts manufacture at comparable quality (except for Italy)

1 Not comparable; manufacturers producing shoes in Italy are luxury brands with higher price buckets driven by brand (i.e., "Made in Italy") and quality

Source: GlobalPetrolPrices.com, ILO STAT, Trading Economics, WITS trade tariffs database, UNCOMTRADE

With the presence of 6 out of global 9 largest importers of leather footwear, Kenya has direct market access for leather and its products

Existing market access for leather products

	Top footwear importers	Value of import footwear, 2023, $ billion	Market relevance
	USA	13.9	• Kenya has **direct access until September 2025 through AGOA** (African Growth and Opportunity Act) – subsequent long-term agreement in negotiation
EU	France	5.7	• **All Kenyan exports have duty-free and quota-free access** to the EU under the EU-Kenya Economic Partnership Agreement, EPA (July 2024) • Favorable logistics from Kenya to the EU (e.g., lower shipping time vs. Asia)
EU	Germany	4.9	
EU	Italy	4.7	
EU	Netherlands	2.2	
	China	6.5	• **No trade agreements** with Kenya • Kenya **unlikely to be competitive with large-scale players** closer to the region (e.g., Vietnam, Thailand)
	Japan	6.4	
	South Korea	4.1	
	UK	3.3	• **All Kenyan exports have duty-free and quota-free access** to the UK under the UK-Kenya Economic Partnership Agreement, EPA (March 2021)

Source: UNCOMTRADE

The Kenanie Leather Industrial Park (KLIP) is set to offer a state-of-the-art industry cluster to leather investors

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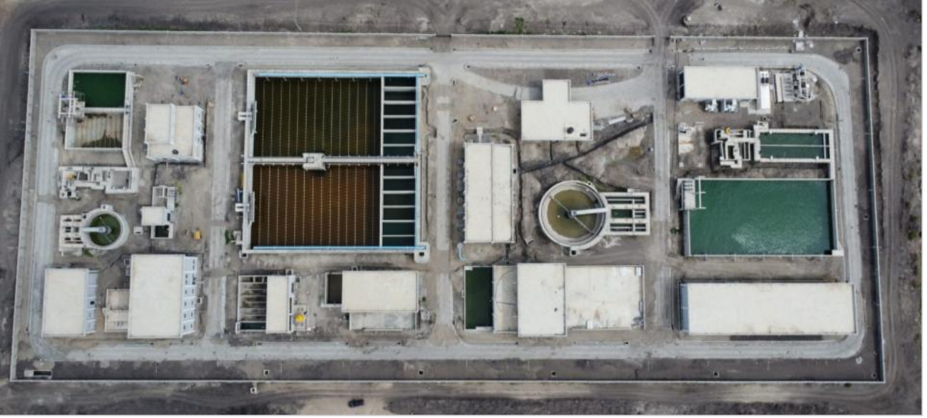


Note: Still under development, with operationalization targeted before the end of 2025[1]

Location	**Kenanie Export Processing Zone (EPZ) site, Machakos County** *50 km from Nairobi, Kenya's Capital*
Capacity	**500 acres** designed to accommodate **36 tanneries**, **18 leather product manufacturers**, logistics services and amenities such as recreational park, sanitation block, fire station, banks
Benefits to investors	**Zero CAPEX related to effluent treatment plant, and reduced OPEX,** due to availability of **cutting edge Common Effluent Treatment Plant in KLIP**, with capacity to treat 10 million liters of water per day **"Plug and play" infrastructure:** Ready and stable power, water, road and warehousing infrastructure for operators **Government incentives,** including range of tax holidays (e.g., 10-year corporate tax holiday) and import duty exemptions (e.g., for all imported goods)

1 Infrastructure and utilities under development. E.g., power is available only to the facilities, no funding released for the CETP yet, and road to KLIP is under construction

In addition, Kenya offers multiple incentives for investors

Fiscal incentives | Non-fiscal benefits

	Export Processing Zone (EPZ) incentives[1]	Special Economic Zone (SEZ) incentives	General incentives (non-EPZ or SEZ)
Investment deduction	• **100% investment deduction allowance** on building and machinery	• **100% investment deduction allowance** on building and machinery	• **100% investment deduction allowance** on building and machinery from >KES 200Mn
VAT / duties	• Perpetual exemption from **payment of stamp duty on legal instruments** • Perpetual **exemption from value added tax (VAT) and customs import duty** on raw materials and machinery	• Value added tax (VAT) is **zero rated** for local supplies • Imported goods are fully exempt from tax (VAT, excise duty, import duty, IDF[5])	• Exemption of **import duty on industrial machines, leather processing chemicals** and equipment
Corporate tax	• **10-year corporate tax holiday[2]**, 25% for the subsequent 10 years and 30% thereafter	• **10% corporate taxation rates** for first 10 years, 15% for subsequent 10 years	• Not applicable
With-holding tax	• **10-year Withholding Tax Holiday[3]** on remittances to non-residents	• **0% Withholding Income Tax rate** on payments made to non-residents (royalties, interest, management fees) • Dividends paid to non-residents by the SEZ entity are **exempt from tax**	• Not applicable
Other Benefits	• 20% domestic market access[4] • 100% repatriation of profits • Full operation under a single license with project approval and licensing within 20 days • Foreign currency accounts and offshore borrowing allowed with unrestricted investment by foreigners • On-site customs documentation (including green channel port clearance), investor facilitation and after-care	• No restrictions to percentage of products sold to the local East African Community market • 100% repatriation of profits	• 100% repatriation of profits

1 KLIP (Kenanie Leather Industrial Park) is to also offer EPZ incentives once operational | 2 Normal Corporate Income Tax rate is 30% | 3 Withholding Income Tax rate for residents ranges from 5-25% and 15-25% for non-residents | 4 With approval from the Ministry of Investments, Trade and Industry | 5 Import Declaration Fee, payable 2% fee of the customs value

Source: EPZ Act Cap 517, Kenya Revenue Authority, Kenanie Leather Industrial Park Criteria for Occupation of Phase One

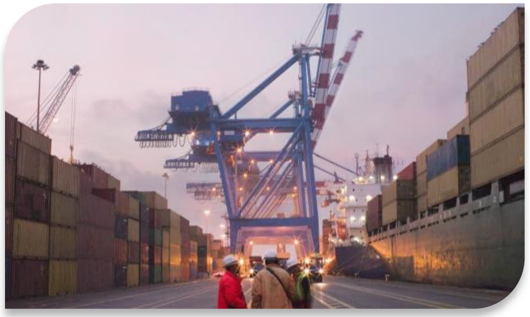
Kenya offers investors a variety of opportunities

Stable economy and leading vibrant democracy

6th largest economy in Africa

Leading Africa's green transition

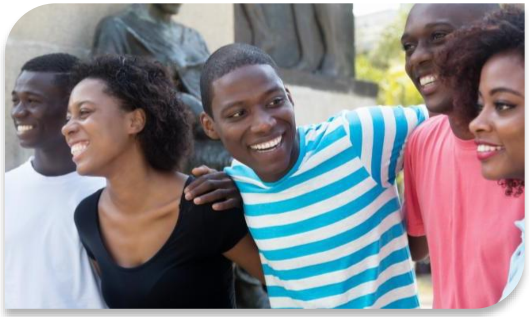
~93% renewable energy at competitive rates



Logistics and innovation hub of the region

4 international airports

2 seaports



Young, trainable, and productive workforce

>80% literacy rate

Robust digital and tech ecosystem aligned with EU regulations

50+ active tech hubs countrywide

Incentives for investment and investor protection

100% repatriation of profits or interests

Note: As of June 2025

Source: IMF 2024, Kenya Ports Authority 2025, Genesis Analytics 2024, KenGen, World Bank 2023, Kenya Investment Authority 2025

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Kenya has received endorsements

Ranking in Africa

Kenya is rated…

Number 1

Greatest investment momentum in Africa in 2024[1]

Funding to start-ups in Africa (~ $638M in 2024)[2]

Greenfield projects in East Africa in 2023[3]

Number 3

On Ease of Doing Business in sub-Saharan Africa[4]

Women's financial and economic inclusion in Africa[5]

Number 13

Fastest-growing economy in Africa in 2023[6]

Note: As of June 2025

1. fDi Intelligence 2024 2. Africa: The Big Deal Report 2024 3. UNCTAD 4. World Bank 2020 2023 5. African Center for Economic Transformation 6. World Bank 2023

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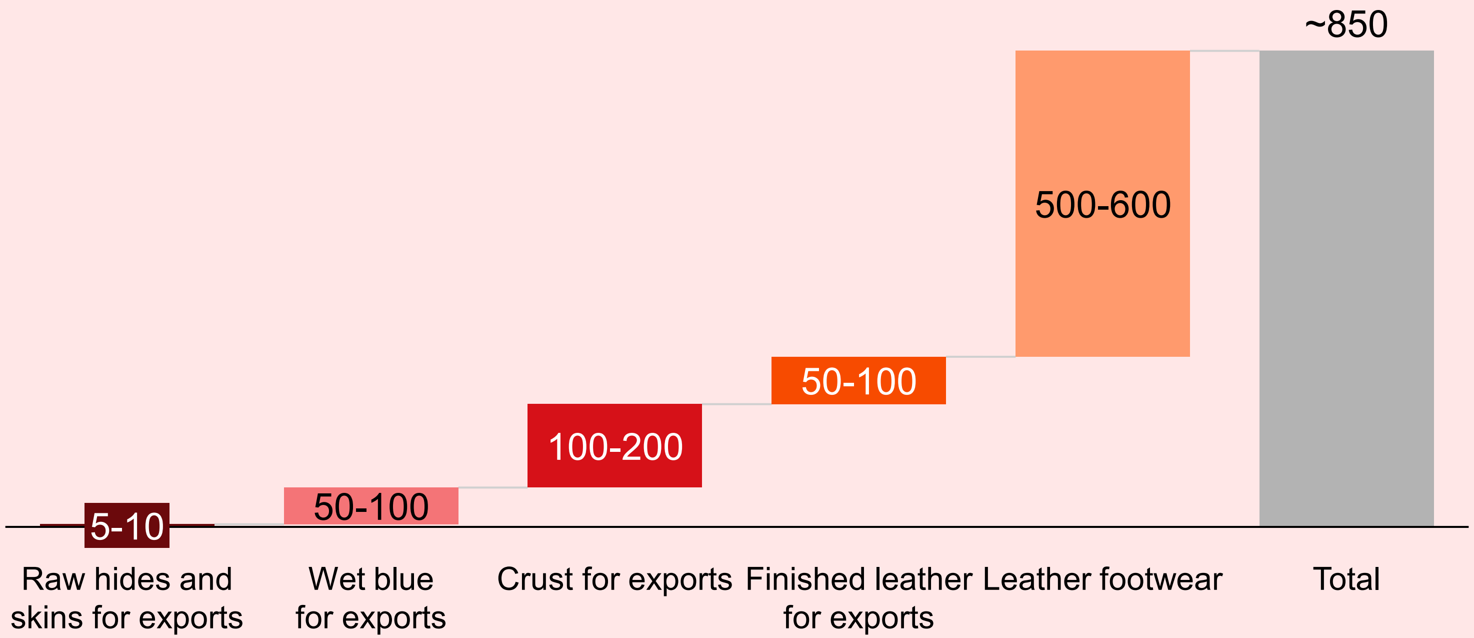
In the next 15 years, Kenya will be a thriving leather powerhouse – a strategic hub for exporting quality leather and footwear to other markets, and a manufacturer of its own distinctive leather products

Kenya's leather sector is set to grow to ~$850 million by 2040

Estimated leather market revenue in Kenya[1], 2040, $ million



Raw hides and skins for exports	Wet blue for exports	Crust for exports	Finished leather for exports	Leather footwear
>10k	>45 Mn	>70 Mn	>25 Mn[2]	>40 Mn
tons	*sq. ft*	*sq. ft*	*sq. ft*	*pairs*

1 Assuming prices of $0.3-0.6 per piece of hide, $1.1-2 per sq. ft of wet blue, $1.4-2.5 per sq. ft of crust, $2-3.5 per sq. ft of finished leather, $4-15 per pair of shoes

2 An additional ~90Mn sq. ft of finished leather will be produced for domestic footwear production (assuming 100% of the finished leather is sourced locally by 2040)

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Kenya's leather value chain provides investable opportunities, with highest potential in tanneries and footwear factories

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XX Estimated total investment required across multiple businesses

Potential upstream investments to improve input quality *(detailed in appendix)*

High-value leather sector investment opportunities *(detailed ahead)*

Slaughterhouses

Upgrade slaughterhouses with investment in machinery (e.g., hide-pullers, overhead rails, generators) to secure availability of high-quality hides and skins

$0.6-0.9Mn[1]

Tanneries processing crust and finished leather

Set up new or invest in existing tanneries producing high-quality:

- **Crust leather** for exports, leveraging existing capabilities
- **Finished leather produced** for both exports and the domestic market to fulfil footwear manufacturing demand

$120-190Mn

Footwear factories

Set up **leather footwear factories**, leveraging Kenya's competitive advantages (e.g., raw materials availability, market access)

Target both the **export and domestic market**

$130-200Mn

Additional investment opportunities with broader ecosystem players *(detailed in appendix)*:

Chemical testing laboratory	**$400-500Mn[2]**	Workforce upskilling	**$20-50Mn[3]**

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1 ~$45k investment per slaughterhouse, for upgrading 15-20 slaughterhouse
2 For one testing lab in Kenya
3 For workforce trainings across the value chain

Outline of the two high-value investment opportunities

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1

Tanneries processing crust and finished leather

*To capture 2040 opportunity of >**180Mn square feet**[1]*

Establish 10-15 new, modernized, mid-scale tanneries[4] (~7-11 Mn sq. ft of leather each annually) focused on:

- **Crust** leather production for exports
- **Finished leather** production to serve export markets and fulfil domestic demand for footwear

Modernize 13 existing tanneries (e.g., through joint-ventures) to increase capacity and capabilities to process high-quality leather

Build upstream partnerships with slaughterhouses through investment in modernization of equipment to ensure consistent and high-quality supply of raw hides and skins

2

Footwear factories

*To capture 2040 opportunity of >**40Mn pairs**[2]*

Establish **10-15 mid-scale footwear factories** (~10k pairs/day each)

Follow **"export-oriented with local footprint"** strategy with:

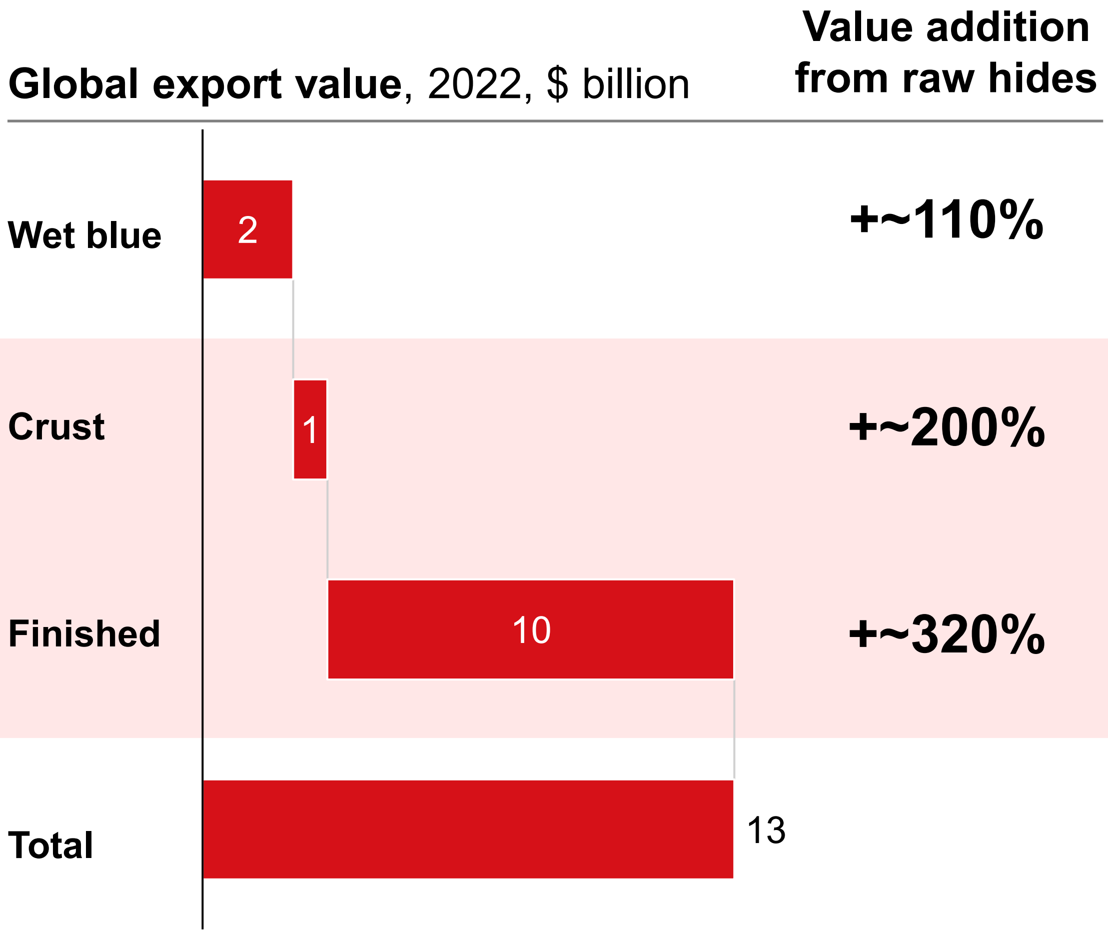
- **80%** capacity focused on **exports** with manufacturing contracts for major brands (e.g., Adidas, Clarks) in the EU, UK and US
- **20%** capacity focused on a smaller-scale **domestic** brand[3]

Develop upstream partnerships with tanneries and slaughterhouses to ensure consistent and high-quality supply of raw material

1. Assuming all finished leather for domestic footwear production is sourced locally; including ~75Mn crust for exports, ~30Mn finished leather for exports, ~90Mn finished leather for domestic market; 9x from current production of ~20Mn sq. ft | 2. 5x growth from current production of ~8Mn pairs | 3. EPZ can allow 20% of production for domestic market with approval from the Ministry of Investments, Trade and Industry | 4. For phase I, up to 13 tanneries can be set up in flagship Kenanie Leather Industrial Park (KLIP); 5 large tanneries (>10.5Mn sq.ft), 6 medium tanneries (>7Mn sq.ft), 2 small tanneries (>4Mn sq.ft)

1. Tanneries: Investing in Kenyan tanneries could enable access to a high-value addition market

Addressable market



Crust leather
(short to medium term)

Can be **quickly scaled in Kenya** given existing processing capabilities and availability of skilled labor

Allows rapid capture of exports value while building capabilities to produce high-quality finished leather

Finished leather
(longer term)

Makes **>70% of global exports value** of processed and semi-processed leather

Will also have a significant domestic market as local leather footwear manufacturers scale and increase demand

Source: UNCOMTRADE, expert interviews

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1. Tanneries:

Each tannery would generate ~$11Mn of annual revenue, creating a $100Mn+ annual revenue opportunity through investment in 10-15 mid-scale tanneries

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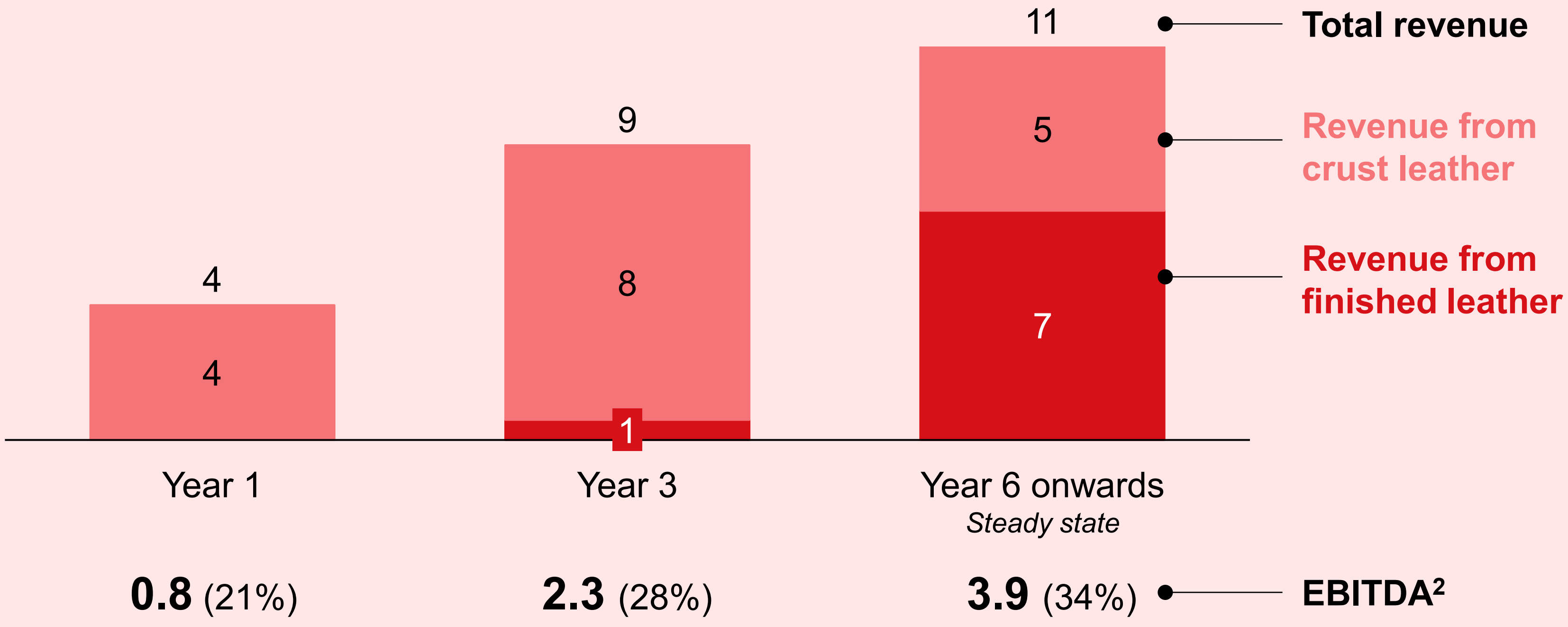
Investing in a single greenfield tannery would generate ~$11Mn in annual revenue after 6 years, returning a 10-year IRR of 19%

Estimated revenue and cumulative cash flow of investment for a single facility *(9Mn sq. ft installed capacity at 85% capacity utilization, i.e., 7.7Mn sq.ft)* [1]*, $ million*



10-year IRR[3] **19%** | Payback period **6 years**

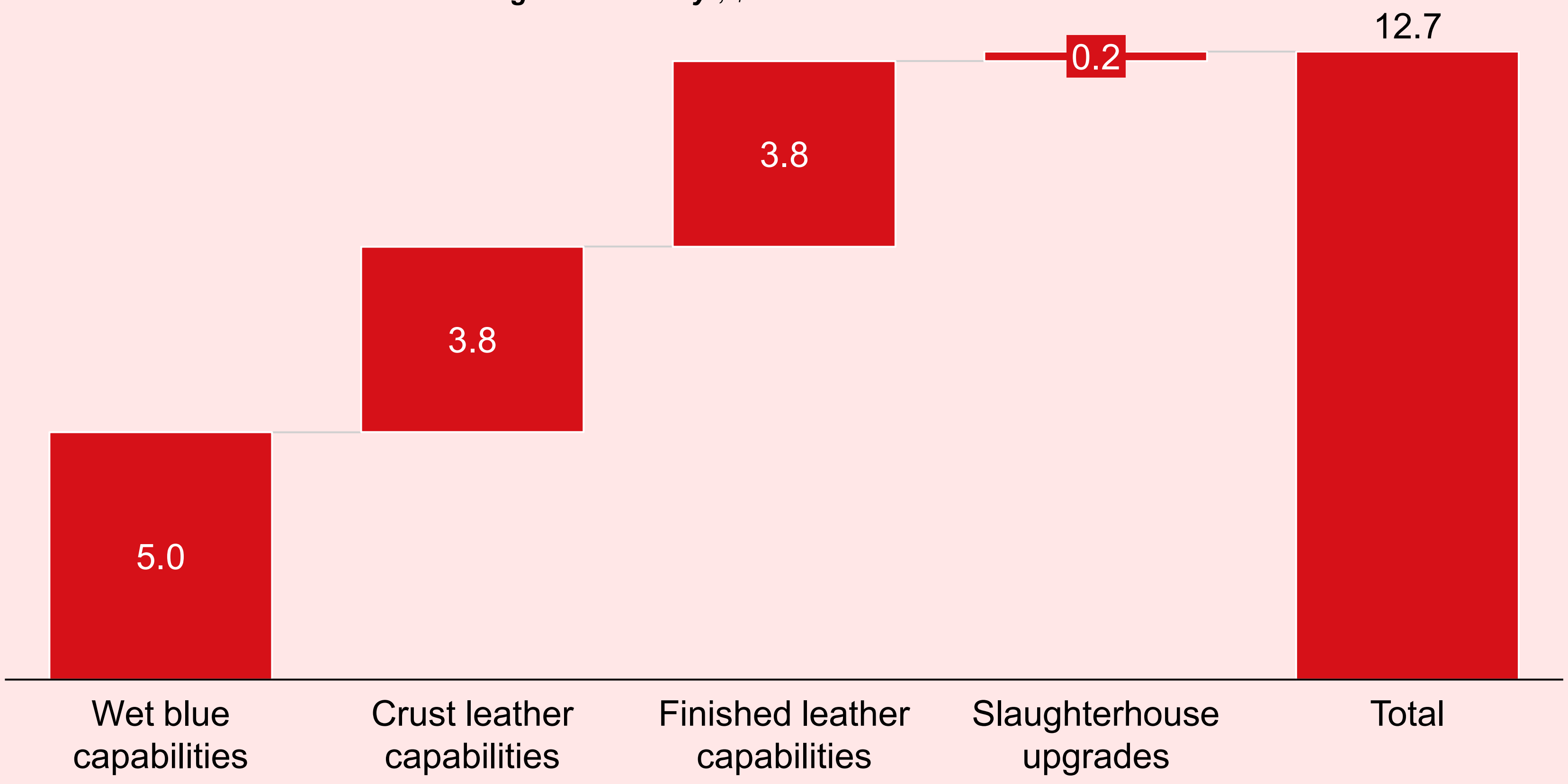
1 Installed capacity of 9Mn sq. ft – this is a mid-scale tannery, currently, average tanneries in Kenya produce 2-3Mn sq. ft for crust and finished leather, and global scale tanneries (e.g., in China) produce up to 60Mn sq.ft (e.g., Ecco, PrimeAsia) | Assuming utilization rate from year 1: 35%, 55%, 75%, 85% from year 4 | Share of finished leather from year 1: 0%, 0%, 5%, 10%, 30%, 50%, from year 6
2 Earnings Before Interest, Taxes, Depreciation, and Amortization. Further margin breakdown (i.e., EBIT and net profit) would require accounting for CAPEX depreciation and tax considerations
3 Internal Rate of Return. Based on nominal cash flows -- does not account for time value of money

1. Tanneries:

With each tannery requiring a ~$13Mn investment, this represents a $120-190Mn investment opportunity for 10-15 new tanneries

A $13Mn investment is required for a single greenfield tannery producing crust and finished leather

Estimated CAPEX investment for a single new facility*[1], *$ million



1 CAPEX for finished leather capabilities can be spread across the years as the production of finished leather increases – to achieve 19% IRR, CAPEX investment would be distributed as follows: Year 0 -- $5Mn for wet blue capabilities, $3.8Mn for crust capabilities; $0.2Mn for slaughterhouse upgrades | Subsequent years -- $3.8Mn for finished capabilities (including roller coating, drying tunnels, specific finishing machinery), gradually ramping up

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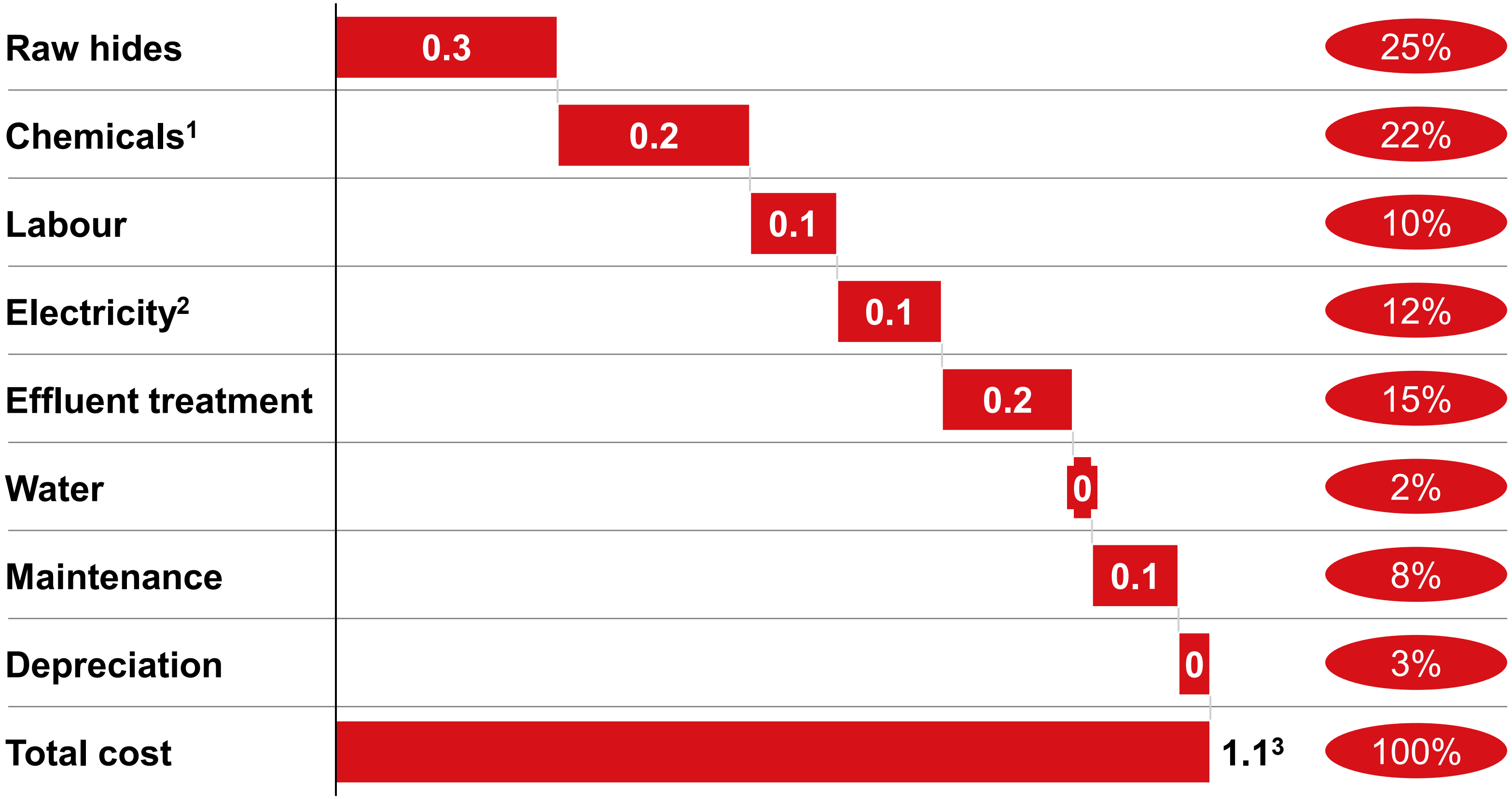
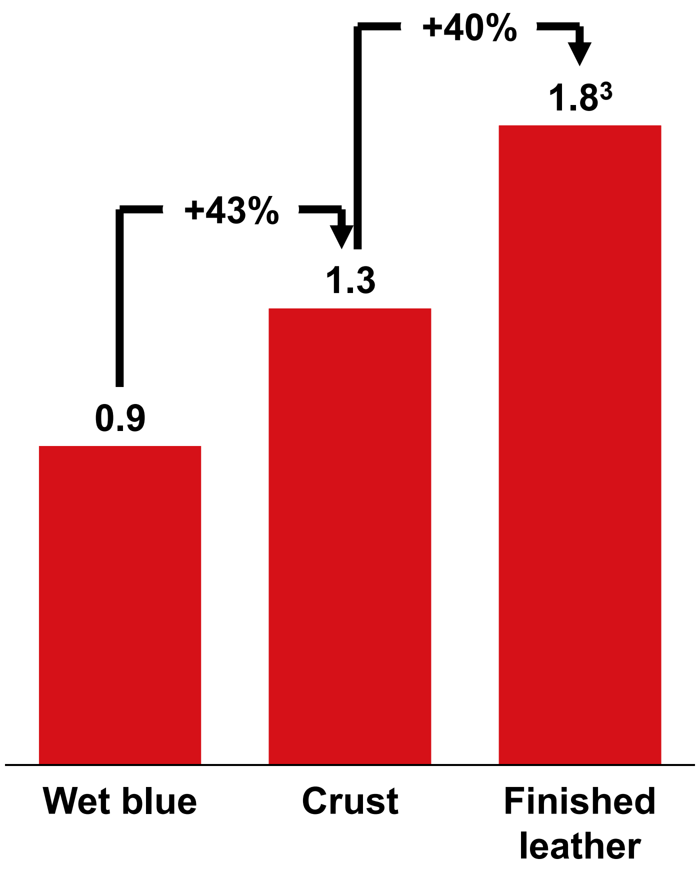
1.Tanneries: Currently, one square foot of finished leather can be produced at ~$1.1 in Kenya

Cost breakdown of processing finished leather in Kenyan tanneries, $ per square feet of finished leather



Average market prices of Kenyan leather ($/sq. ft)



1 Excluding effluent treatment chemicals
2 Excluding effluent treatment electricity consumption
3 Difference between 1.1 and 1.8 include all overhead costs (e.g., logistics, overhead staff) and processor margin

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Source: Alternative Treatment Strategy for Tannery Water Reuse and Material Recovery, 2004. - Water Footprint Calculation, Effluent Characteristics and Pollution Impact Assessment of Leather Industry in Bangladesh, 2023. - Integrated Pollution Prevention and Control (IPPC) Reference Document on Best Available Techniques for the Tanning of Hides and Skins, 2005 EU Commission - The framework for sustainable leather manufacture, 2019, UNIDO – Web search

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2. Footwear factories: There is momentum to move fast and capture the opportunity to serve global and domestic footwear markets with an investment in Kenya

Detailed in next pages

Globally, Kenya only exports less than $1Mn per annum of leather footwear in a >$60Bn market

Meanwhile, Western fashion brands are seeking to diversify their supply chains and find alternatives to Asia. At the same time, demand from Chinese and Indian consumers appears to be growing following new trends (e.g., suede boots in China) – *this implies a huge market opportunity yet to be tapped*

Domestically, Kenya is significantly reliant on imports (~70% of leather footwear consumed are imported) and only ~8 million pairs (per annum) are produced locally – *this implies an opportunity to drive import substitution with a high-quality, appropriately priced domestic offering*

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Source: UNCOMTRADE, expert interviews

2. Footwear factories: Domestically, school shoes and men's dress shoes present a market opportunity of over 10Mn pairs

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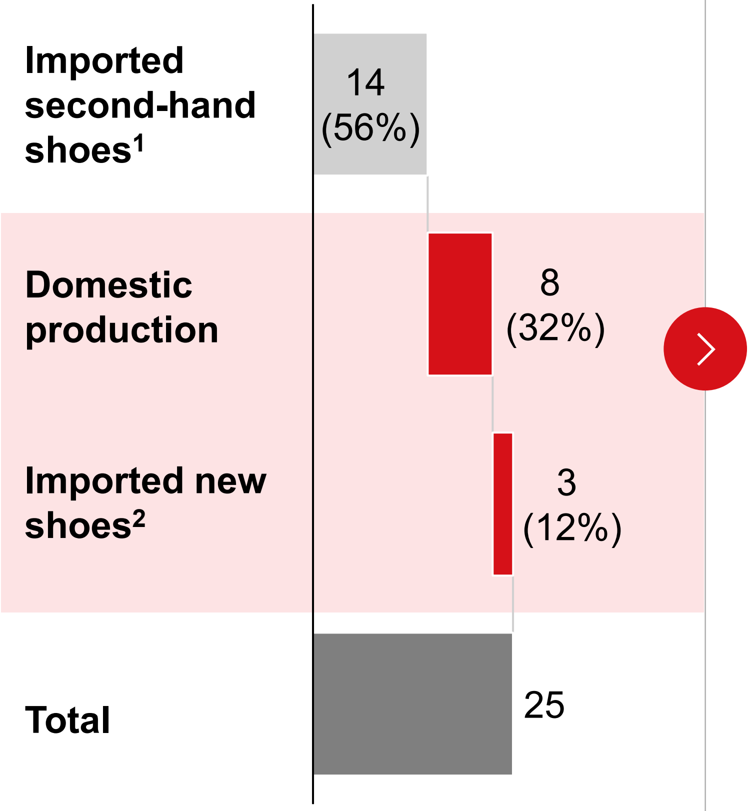
LEATHER FOOTWEAR ONLY

Addressable market

~45% of the total domestic market can be addressed…

Domestic consumption, Mn pairs



…by primarily producing high-quality, mid-priced school shoes and men's dress shoes

School shoes

Largest segment, >60% of total addressable market (6-7Mn pairs)

Typically comprise of non-differentiated designs – can be addressed with long lasting, low-to-medium priced products ($10-20)

Locally produced school shoes from Bata

Men's dress shoes

2nd largest segment, ~20% of total addressable market (1.5-2Mn pairs)

Large variety of medium-to-high quality products – can be addressed with limited range of iconic designs of high-quality at medium price ($20-30)

Locally produced men's dress shoe from Umoja

Imported men's dress shoes sold at Bata (India)

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1. Mitumba – mixed variety of various designs, hard to compete due to high quality and low costs | 2. Mainly men's dress shoes of various designs

Source: UNCOMTRADE, expert interviews

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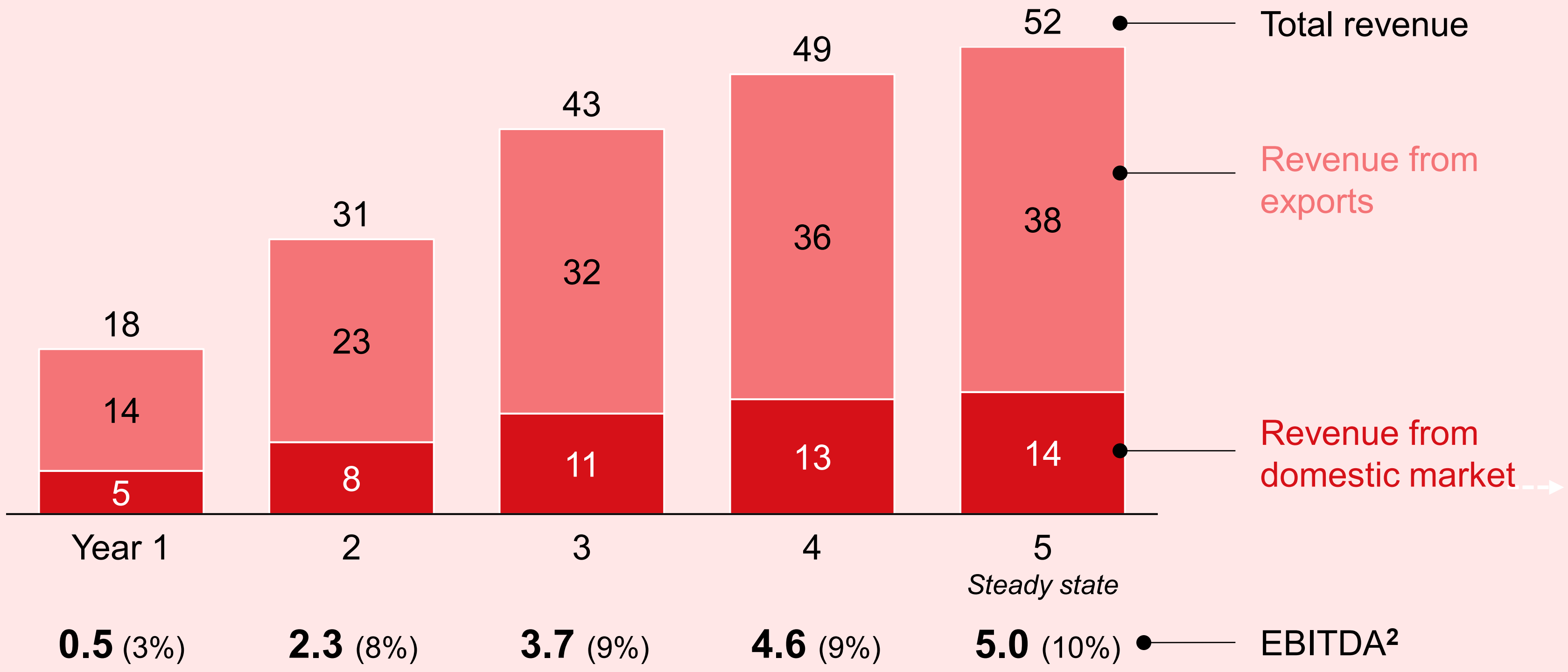
2. Footwear factories: Each factory would generate $50Mn+ revenue per year, creating a $500Mn+ annual opportunity for the sector through investment in 10-15 facilities

For a single facility, a ~$13Mn investment would generate $50Mn+ in annual revenue at steady state, with a 10-year IRR of 25%

***Estimated revenue and cumulative cash flow of investment for a single facility[1]**, $ million*



10-year IRR[3] 25% | **Payback period 5 years**

1 Assuming utilization rates: Year 1 – 30%, Yr 2 – 50%, Yr 3 – 70%, Yr 4 – 80%, Yr 5 (steady state) – 85%
2 Earnings Before Interest, Taxes, Depreciation and Amortization. Further margin details (i.e., EBIT and net profit) would require accounting for CAPEX depreciation and tax considerations (0% for the first 10 years if the facility is located in EPZ)
3 Internal Rate of Return. Based on nominal cash flows -- does not account for time value of money

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2. Footwear factories: With each facility requiring a ~$13Mn investment, this represents a $130-200Mn investment opportunity for 10-15 factories

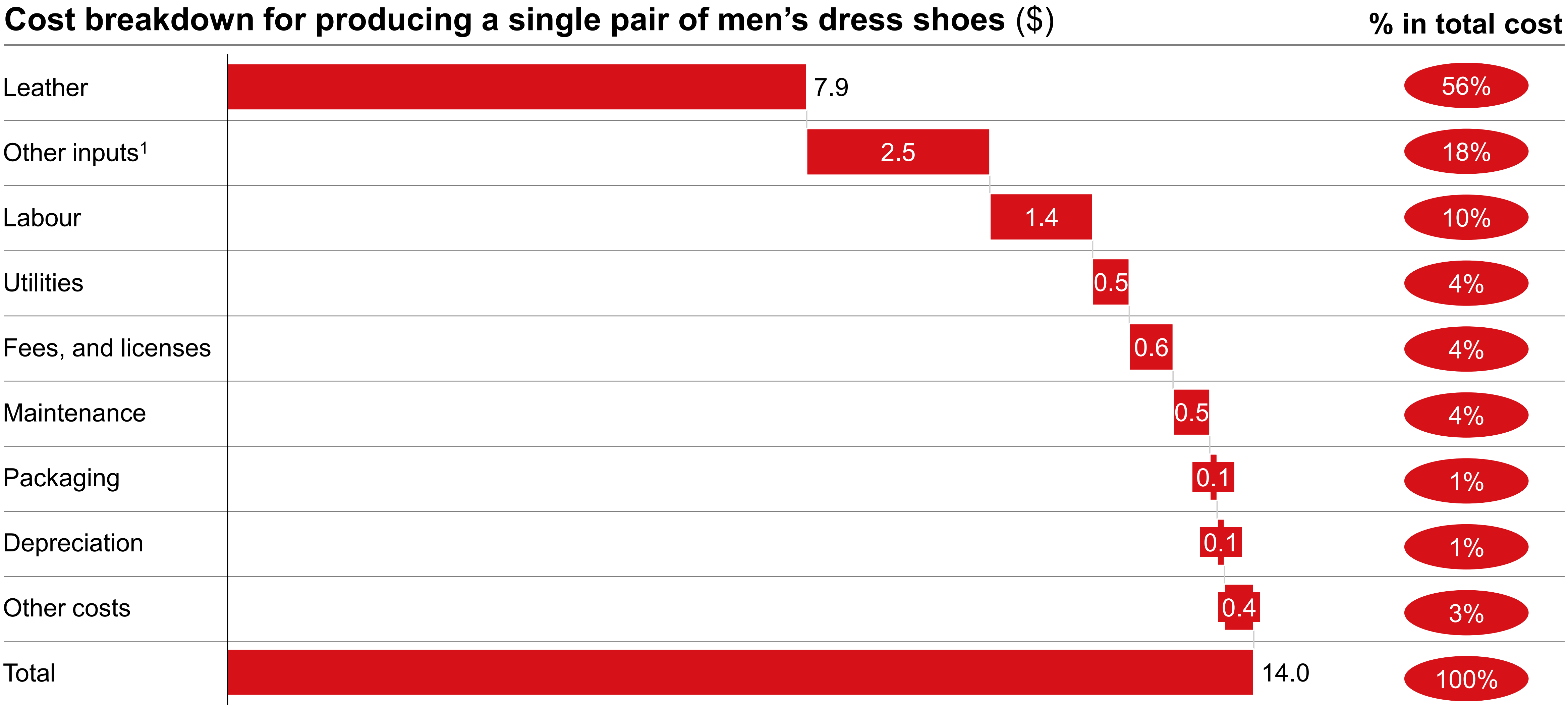
Setting up a single footwear factory, would require a ~$13Mn investment

***Estimated CAPEX investment for a single new facility**[1], $ million*

1 Machinery and store set up investments can be spread across the years. For 25% IRR investment, CAPEX can be distributed as follows: Year 0 – $3.8Mn for building and power, $3.7Mn machinery, $0.05Mn stores, $1.5Mn slaughterhouses & tannery upgrades | Yr 1 – $1.7Mn machinery, $0.2Mn stores | Yr 2 – $1.3Mn machinery, $0.4Mn stores | Year 3&4 – store expansion only

2. Footwear factories: Currently, producing a single pair of leather men's dress shoes in Kenya could cost ~$14

Cost breakdown for producing a single pair of men's dress shoes ($)



1. Include sole, insole, toe puffs, lasts, polishers, stiffeners, etc.

Source: World Bank 2015. Kenya Leather Industry, Diagnosis, Strategy and Action Plan. Expert interviews

Access to European markets in particular requires compliance to sustainability regulations and standards

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Compliance requirement

EUDR[1]

Exporters to EU need to demonstrate that their supply chains are deforestation-free. This requires:

- **End-to-end traceability** of material including mapping of farms and slaughterhouses
- **Due diligence** through robust documentation and geolocation tracking

LWG[2]

Audits and certifies leather manufacturers based on various criteria across:

- **Environment management** incl. water usage, waste and effluent treatment, energy consumption
- **Chemical and restricted substance management**
- **Incoming material traceability level** (i.e., at slaughterhouse or point of collection level)
- **Social responsibility** incl. health and emergency preparedness, operations management

Advancements in Kenya

Compliance

There is **demonstrated compliance to EUDR and LWG standard in Kenya** – i.e., Alpharama Ltd, indicating that with sufficient investment in traceable sourcing systems and operational practices (e.g., efficient effluent treatment), investors can access export markets requiring adherence to these regulations and standards

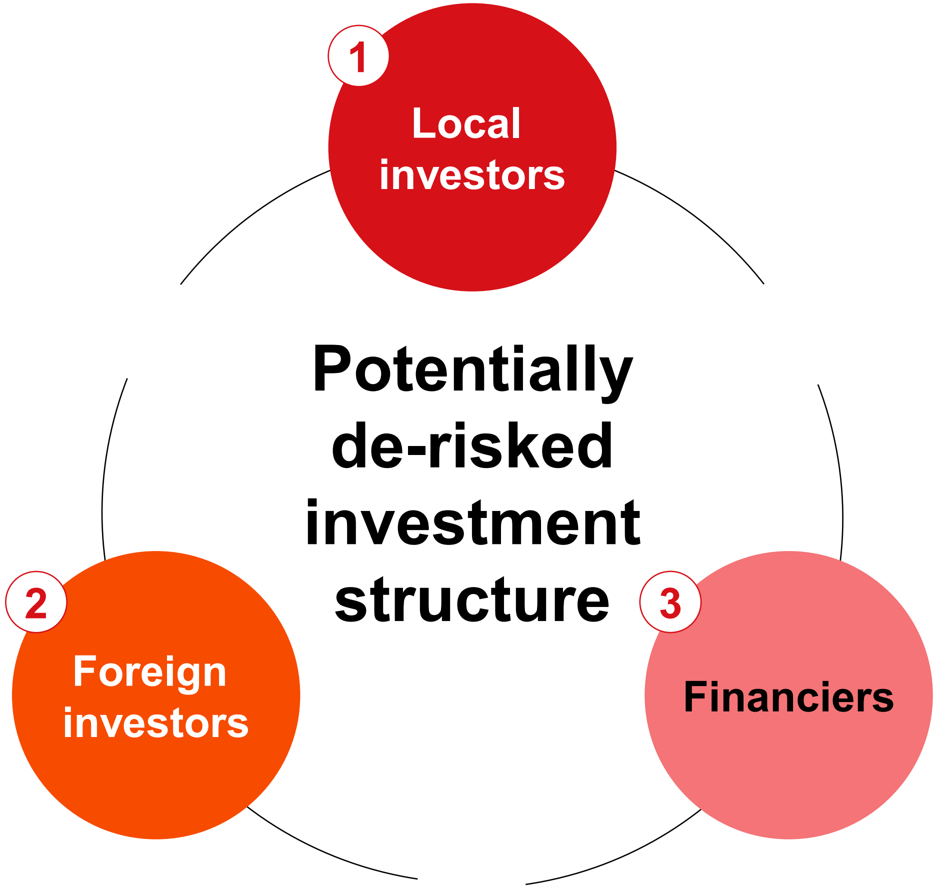
Traceability

To meet EUDR and LWG traceability requirements, Alpharama has **collaborated with mid-scale farmers and large-scale producers** (e.g., ranches) to ensure traceability to animal origin and mapping of associated slaughterhouses

The Government of Kenya is already **implementing a digital animal traceability system** (ANITRAC), to enhance traceability across all production systems – this will provide a **platform for leather producers to achieve EUDR compliance**

1 European Union Deforestation Regulation
2 Leather Working Group Audit Standard

Each investment could have a mix of investors capturing synergies from collaboration and shared expertise



1 Local investors

Local industry players (e.g., tanneries, footwear manufacturers, retailers) with significant understanding of market dynamics

Have significant local knowledge of market dynamics and valuable upstream connections

2 Foreign investors

Strategic investors looking to expand / diversify operations

Have existing connections within exports markets, expertise from other countries

3 Financiers

Including DFIs, development partners, commercial banks, institutional investors

Bring in funding pool, derisking instruments and expertise in large projects

In parallel, the Kenyan government is championing a favorable enabling environment to support large scale investments in the leather sector

Increase supply of quality hides and skins, including conducting trainings for slaughterhouses and addressing the challenge of raw hide diversion to West African food markets

Strengthen capability to produce crust leather, including through infrastructure development (e.g., Kenanie Leather Industrial Park, completion targeted in 2025) and investment promotion support for tanneries

Accelerate leather products manufacture, including negotiating of global trade agreements and supporting skills training programs

There are numerous success stories in the leather sector in Kenya (1/2)

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Alpharama

Largest tannery in East Africa, processing wet blue, crust and finished leather and exporting to major manufacturers in Europe, China and beyond

Key products

Wet-blue leather, crust leather and finished leather



Example clients

Apex · UMOJA (LOVE SHOES. LOVE UMOJA.) · Sseko (SAY KO // DESIGNS) · ARTISAN FASHION (from ethical fashion artisans)

Main export markets

Europe · China · Uganda

Production capacity, Mn sq ft per day

40 wet blue

18 crust leather

10 finished leather

~500 Employees

Reddamac Ltd

Manufactures, markets, and wholesales quality leather footwear and accessories

Key products



Example clients

Kenya Armed Forces · NIFT (National Institute of Fashion Technology) · Makerere University · Kenya Police

Main export markets

India · China · Indonesia

Production capacity, Mn sq ft per day

1 wet blue

0.5 finished leather

~150 Employees

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Source: Company websites, Press search

There are numerous success stories in the leather sector in Kenya (2/2)

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Sandstorm

Founded 23 years ago, Sandstorm Kenya is a premium manufacturer of handcrafted leather and canvas bags, rooted in Nairobi

Key products

Specialized in high-quality bags and accessories (e.g., handbags, backpacks, laptop bags,)



Example clients

Safaricom, NCBA, Stanbic IBTC, Rubis, Jubilee Insurance, Procera, AAR Insurance, eabl, Cheli & Peacock Safaris East Africa, Montana Boutique

Main export markets

Europe, UK, US, Japan, Australia

~123

skilled artisans and professionals

Adelphi

Nairobi based luxury accessories brand founded in 1988, Adelphi is the first locally made leather goods brand in Kenya

Key products

Leather and Canvas Accessories



Example clients and partners

TJ Maxx, JW Marriott, Isuzu, eabl, Stanbic IBTC, The Ritz-Carlton, Serena Hotels

Main export markets

US, Japan, UK, UAE, Tanzania, Uganda, Rwanda, South Africa

60

Employees, including local artisans working with Adelphi since its inception

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Source: Company websites, Press search

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Work permit/ special pass facilitation

Applicable licenses

EIA certificate

Access to land

EPZ and SEZ set up

Access to power

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Appendix

Kenya's value proposition for investors

Kenya is a gateway to Africa and beyond

Country snapshot

- **~55M** population
- **~$132B** GDP[1]
- **~5%** average annual GDP growth[2]
- Official languages: English and Swahili
- Vast access to regional and global markets (**43** BTA[3], **14** DTA[4] in force)

		Market GDP	Population
Pan-African market access	EAC	~$0.3T	331M
	COMESA	~$1T	640M
	TFTA	~$1.8T	800M
	AfCFTA	~$3.4T	1,300M
Inter-continental trade agreements	AGOA	~$27T	340M
	EPA	~$19T	448M
	FTA	~$3.3T	68M
	CEPA	~$0.5T	10.5M

1. GDP current prices, 2025 outlook by the IMF
2. Average GDP growth (annual %), between 2019-2023 (World Bank Group)
3. Bilateral trade agreements
4. Double tax agreements

Source: World Bank Group, IMF, International Trade Administration, COMESA, EAC, AGOA, Europa, Kenya State Department for Trade

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Kenya operates 140+ economic zones with incentives for investors

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Gazetted Special Economic Zones (SEZs)

9,042

Acres of land available to lease in SEZs

105

Gazetted Export Processing Zones (EPZs)

6,177

Acres of land available in EPZs

Investor incentives within SEZs and EPZs

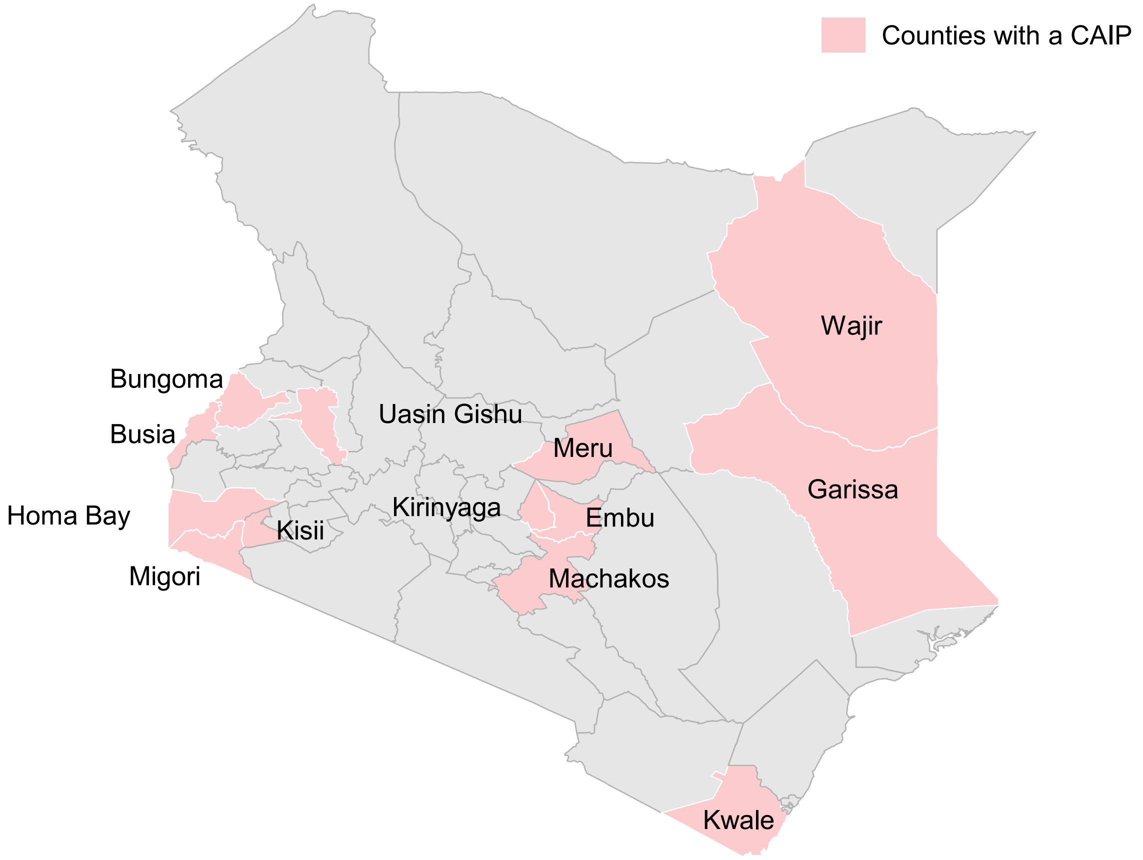
- **Exemption from excise duty, import duty**, and import declaration fees[1]
- **Under SEZs: 10%** corporate tax in the first 10 years; **15%** in the next 10 years; **30%** in subsequent years
- **Under EPZs: 10-year corporate tax holiday**, 25% for the subsequent 10 years and 30% thereafter
- **Exemption from advertisement** and **business service permit fees**
- **100% allowance on capital expenditure** on building and machinery
- **Withholding tax exemption** on dividends and gains on transfer of property[2]
- Stamp duty exemption on legal instruments

1. For EPZs, this applies to exemption from import duty and VAT applies to raw materials and machinery
2. For EPZs, this is a 10-year tax holiday

Source: SEZA, EPZA

Kenya also offers incentives within its County Aggregation and Industrial Parks (CAIPS)

13 County Aggregation and Industrial Parks (CAIPs)[1]



Incentives within CAIPs match offerings from landbanks

- **SEZs**
- **EPZs**
- **Industrial park**

1. To be completed by December 2025

Source: SEZA, EPZA, Ministry of Investments, Trade and Industry

Kenya offers a multitude of public SEZs, EPZs and industrial parks

Example parks[1]

1

Konza Technopolis

Machakos

5,000 acres

Borders 3 counties (Makueni, Machakos and Kajiado). 60 Km from Nairobi

2

Dongo Kundu SEZ

Mombasa

3,000 acres

Adjacent to the Mombasa Port in Likoni

3

Naivasha SEZ

Naivasha

1,000 acres

Located in Maai Mahiu along the Nairobi-Naivasha SGR line

Competitive power tariffs

Planned 5,000-acre expansion

4

Olkaria SEZ

Nakuru

8,292 acres

Leverages geothermal power and hosts KenGen's Green Energy Park

5

Riwa SEZ

Homa Bay

530 acres

13 Km from the CBD

8 industrial, sector-based zones planned

18,000 acres of public SEZ and industrial park land
18 CAIPs in development and 30 more planned

1. At different stages of development (e.g., Konza Technopolis is operational, Dongo and Naivasha are under construction)

Source: SEZA, EPZA

Private SEZs and industrial parks are also available in Kenya

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Example parks[1]

1	2	3	4	5
Two Rivers Financial Center Nairobi	**Mount Kipipiri Golf and Resort** Nyandarua	**Tatu City** Kiambu	**Northlands SEZ** Kiambu	**Infinity IP** Nairobi
64 acres	**1,478** acres	**5,000** acres	**528** acres	**200** acres
Access to international markets for global, regional, and Kenyan service-oriented business enterprises	Megaproject in Kipipiri, Nyandarua	Mixed-use special economic zone	Private SEZ located in Ruiru, Kiambu County	Private IP for SMEs located 10 km from Jomo Kenyatta International Airport and 20 km from Nairobi's City Center

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1. At different stages of development (e.g., Two Rivers Financial Center, Tatu City are operational, Mount Kipipiri is under construction)

Source: SEZA, EPZA

SEZs in Kenya offer favorable electricity tariffs relative to other locations in the region

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Electricity tariffs in Kenya

Baseline commercial/ industrial electricity tariff, July 2024-June 2025[1]	**0.11** $/kWh
Special tariff within SEZ	**0.08** $/kWh

Electricity tariffs for businesses in the region

Rwanda	**0.1** $/kWh
Uganda	**0.12** $/kWh
Nigeria	**0.04** $/kWh
Ethiopia	**0.01** $/kWh

1. Original tariff at 13.74 KSh/kWh, converted at June 2025 exchange rate (1KSh = 0.0077$)

Source: SEZA, EPZA, World Bank, ICCT, UNECE, Global Petrol Prices

The Kenanie Leather Industrial Park (KLIP) has an attractive offering for investors compared to other leading leather producers

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Note: Data on KLIP offering is highly preliminary and subject to modification

KLIP NUMBERS TO BE UPDATED BY KLDC

Offering	KLIP (Kenya)	Ethiopia	India	Vietnam
Lease for serviced parcels of lands	**~$0.06** per sq. ft per annum ($2,500 per acre) + 15% service charge	**$0.09-0.6** per sq. ft per annum	**$0.2-4** per sq. ft per annum	**$1.5-5** per sq. ft per annum
Lease for industrial warehouses (for tanneries and manufacturers)	**$2.5** per sq. ft per annum + 15% service charge	**$3-7** per sq. ft per annum	**$1.5-6** per sq. ft per annum	**$2-6** per sq. ft per annum
Common Effluent Treatment Plant fees	**$2.8** per m3	**~$1.9** per m3	**~$2.2** per m3	**~$2.4** per m3

***~30 investors** have already expressed interest in establishing facilities in KLIP*

Source: KLIP criteria 2022, expert interviews, web search

Over 20Mn livestock slaughtered annually, with raw skins/hides taking between <24h to 7 days to reach tanneries

Preliminary[1] – data being validated by DVS

Availability of raw material varies by livestock type

Raw hides from cattle

3Mn/year
hides

~40%

available for local leather processors/ tanneries

Raw skins from goats and sheep

18Mn/year
skins

~65%

available for local leather processors/ tanneries

While ~21Mn cattle and smaller ruminants are slaughtered annually, 40-65% of raw hides and skins are effectively available for local tanneries – 10-55% of raw material is exported, while 5-20% wasted

GoK is currently leading efforts to increase the supply of quality hides and skills – including conducting trainings for slaughterhouses and addressing the challenge of raw hide diversion to West African food markets

Timing between slaughterhouses and tanneries depends on the distance as well as tannery model

Slaughterhouses **In** Nairobi

<24 hours

between slaughterhouse and tannery – as most tanneries are based around Nairobi, large volumes of hides and skins are quickly available

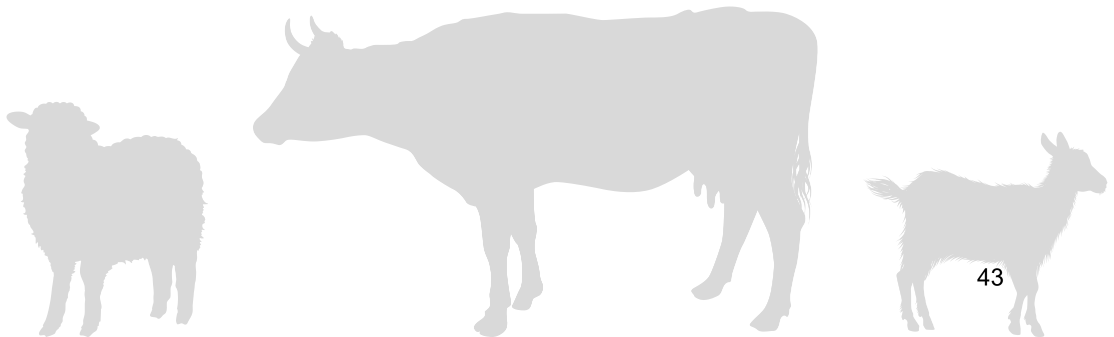
Slaughterhouses **Outside** of Nairobi

2-4 days

for tanneries with **agents and fleet** of their own / hired

~7 days

for tanneries that work with **traders** (i.e., aggreators)



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1. Data based on interviews held in 2024

Source: UNCOMTRADE, KNBS, ITC, Tanneries assessment report, KNBS Economic Survey, press search

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Additional investment opportunities across the leather value chain

Content	Page no.

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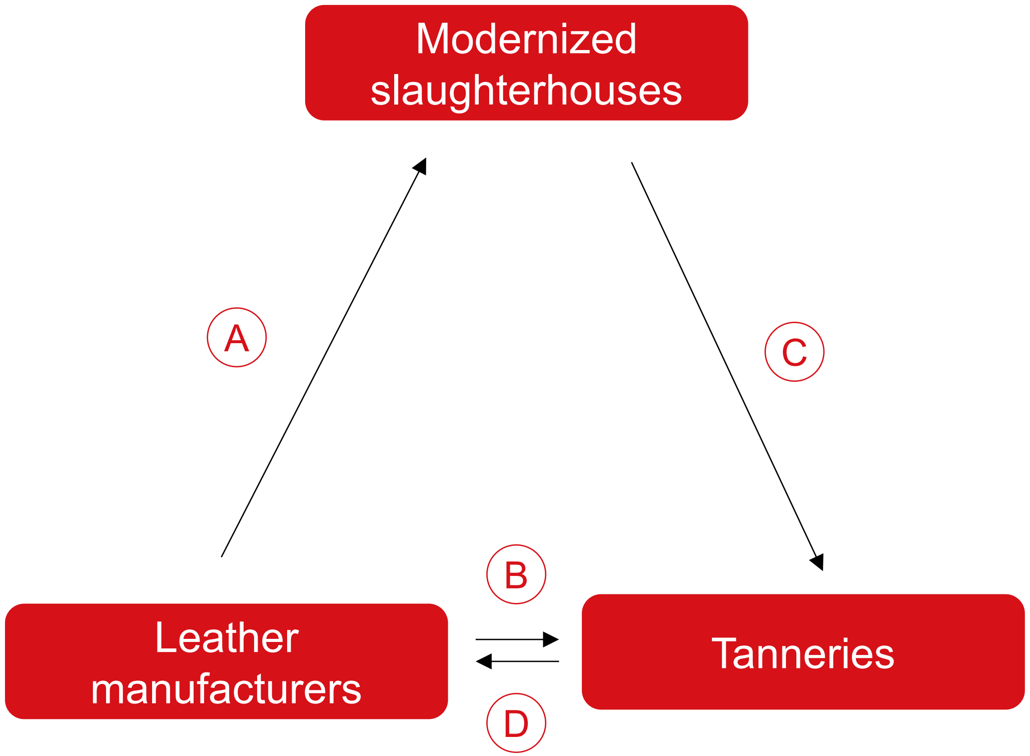
An integrated partnership between slaughterhouses, tanneries and leather manufacturers could avail high-quality raw material

Example of integrated leather value chain illustration with modernized slaughterhouses



- A — Leather manufacturer **partners with slaughterhouses** (e.g., supplier development), funding mechanization investment including hide pullers, overhead rails, generators, staff upskilling, required to produce high-quality hides
- B — Leather manufacturer **partners with tanneries** to upgrade processes (e.g., modern processing equipment) required to produce higher quality leather
- C — Tannery **offtakes high-quality hides from slaughterhouses** with application of transparent grade-based pricing
- D — Tannery provides **consistent high quality finished leather** to leather manufacturer

Upgrading a slaughterhouse would require investments for modernization across 5 key processes

NON-EXHAUSTIVE

Kenyan slaughterhouses **rely primarily on manual processes**, including for flaying and handling of the raw materials, offering strong modernization opportunities

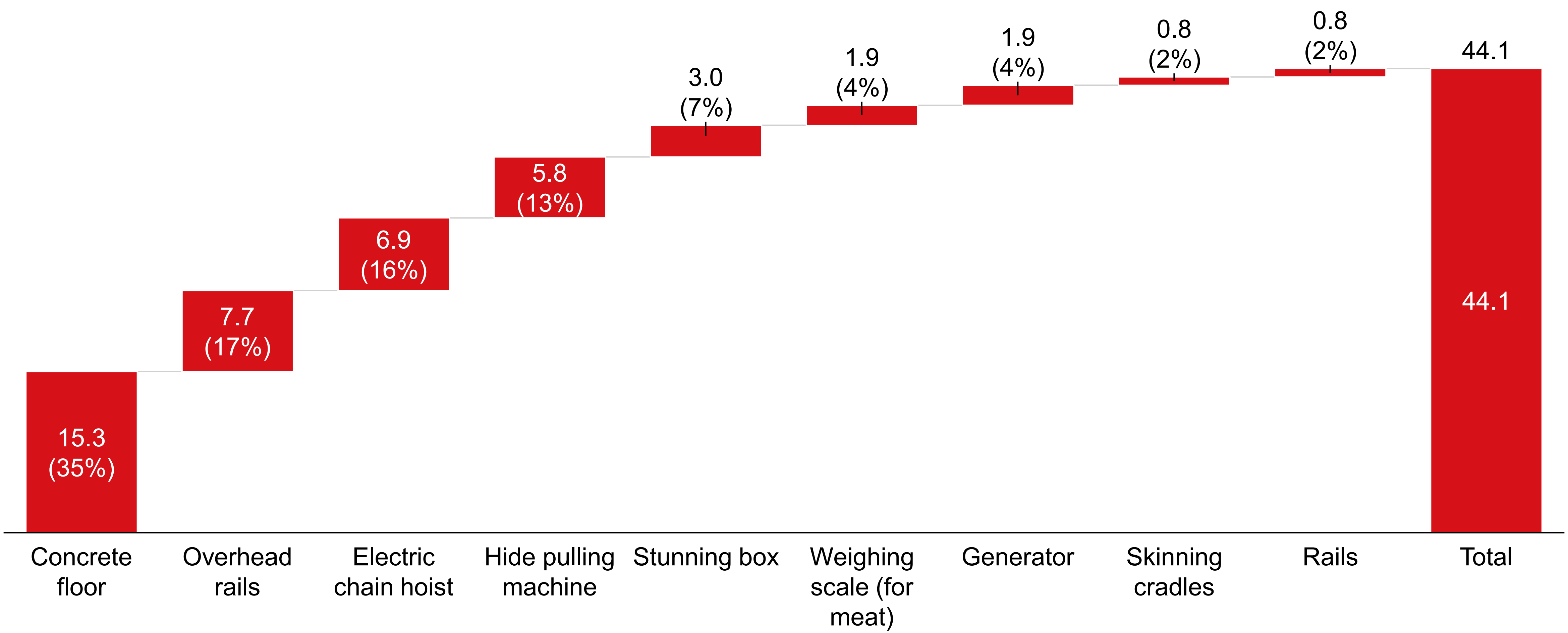
Tanneries are willing to pay a premium for high-quality hides and skins produced in a modernized slaughterhouse

Target	Possible option	Operational implications
1 Hoisting	Replace manual hoisting machines with **electrical hoists**	**Minimizes damage from contamination and improper handling** through lifting of the carcass onto the rail system
2 Flaying	Invest in **hide pulling machines** that can pull ~30 hides per hour	**Increases efficiency and yield rates** (used in high throughput slaughterhouses in leading exporters such as Brazil, Canada, and Rwanda) **Improves quality of hides and skins** by removing them in one piece and eliminating the possibility of deep flay cuts and removal of extra parts **Drives labor cost savings** through reduced need for flayers
3 Stunning	Invest in **stunning boxes**	**Reduces risk of flay damage** across the neck area of the animal, enhancing quality of the hides and skins
4 Rail system	Install a modern **automatic railing system**	**Eliminates damage caused by improper handling** such as dragging carcasses along the floor
5 Electricity	Invest in a **generator**	**Ensures high up-time of machines** (i.e., powers the hide puller, electrical hoists, and railing system during electricity outages)

*When trying to mechanize with hide pullers, slaughterhouses have reported facing challenges with regards to **electricity downtimes**, **challenging maintenance**, **lack of trainings**, and **lack of implementation** support – these must be accounted for when modernizing a slaughterhouse*

These upgrades could require an initial investment of ~$44K per slaughterhouse

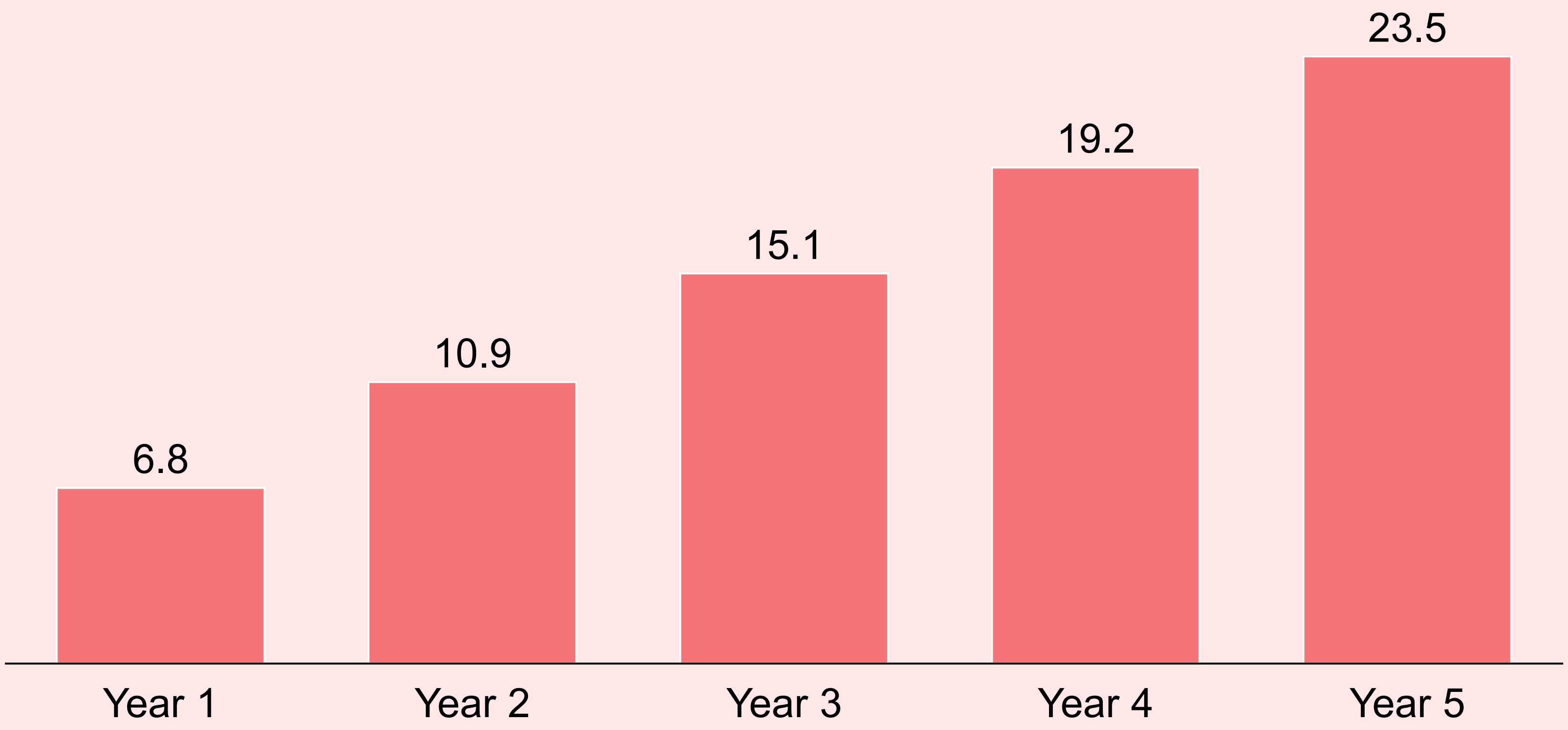
Estimated CAPEX investments for a slaughterhouse upgrade, $ '000



Source: Gatsby Africa, expert interviews

Upgrading a slaughterhouse could drive additional cash flows of ~$24K after 5 years

Estimated additional cash flows from upgrading a slaughterhouse with a capacity of ~250 cattle / day, $ '000



Source: Gatsby Africa, expert interviews

There is an opportunity for Kenya to establish a chemical and leather testing laboratory to strengthen the leather industry

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Several businesses in Sub-Saharan Africa (including Kenya) require chemical / leather testing...

Under REACH regulations, manufacturers of chemicals are required to **register their products** before placing them on the market

The IUC (Chemical Test Methods), IUF (Fastness test methods) and IUP (Physical test methods) commissions of the IULTCS[1] prepare **leather test methods for ISO Standards**

Buyers of leather require compliance with these standards that are constantly evolving

… but the nearest testing facilities are in India / Turkey, driving longer lead times

Regional exporters of finished leather have to send products to India / Turkey for chemical testing required by end buyers causing **increased lead time (~4 weeks)**

International shipping of samples is also **costly** and poses **a high risk of sample damage and contamination** during transit that could affect the accuracy of the results

Setting up a chemical / leather testing lab in Kenya could capture demand from the region

Setting up a testing lab in Kenya (e.g., within KLIP[2]) will result in:

- Reduced lead time for regional leather producers (by ~4 weeks)
- Cost savings in shipping and handling
- Enhanced quality control due to timely feedback and continuous monitoring
- Compliance with evolving standards
- Local expertise development in leather testing

Estimated investment opportunity[3]	**>$400-500k**

1. International Union of Leather Technologists and Chemists Societies
2. Kenanie Leather Industrial Park
3. To set up a testing lab in Kenya

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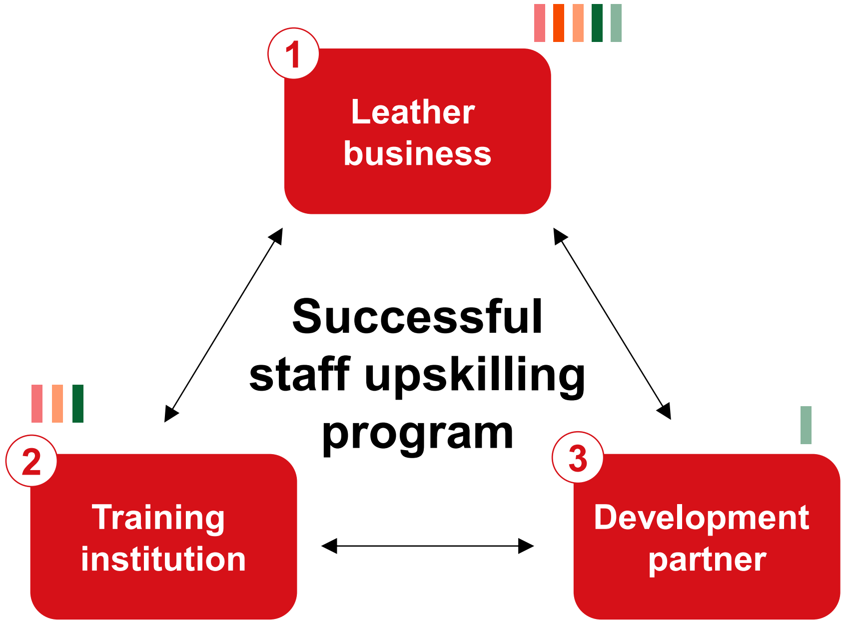
Source: https://www.clri.org/DepartmentDetails.aspx?DP=264, https://www.thehindu.com/news/national/tamil-nadu/leather-testing-lab-inaugurated-at-ranipet/article7014241.ece

Upskilling programs for could require collaboration between the leather business, a training institution and a development partner

Elements required for staff upskilling:

- Curriculum development
- Instructors
- Costs
- Equipment / location
- Participants



Estimated investment opportunity[1] | >$20-50Mn

1 Leather business (e.g., footwear factory, tannery)

- Co-create curriculum with the training institution
- Facilitate training venues and resources (e.g., machines and leather supply)
- Leverage experts in-house to co-facilitate training sessions
- Lead efforts to recruit participants from the local community
- Partially support training costs

2 Training institution

- Drive curriculum development, including identification of skills to address and customized curriculum creation
- Deliver high-quality training programs including practical learning
- Facilitate identification and selections of participants with the factory; provide placement support by liaising with employers (with priority for the footwear factory)

3 DFIs / development partners

- Partially support training costs[1]

1 Trainings for between 40k to 125k employees (~$400-500 per learner, assuming available trainings facilities)

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